

MT LEGISLATIVE HISTORY

Chapter 330 1981

Bill H (S) 47

Original bill & hist. ✓C

H. Committee on Taxation

S. Committee on Taxation

Hearing Date(s) FEB 23 ✓C

Hearing Date(s) JAN 16 ✓C

MAR 24 ✓C

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Date Out C

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Did this bill originate in an interim committee? Yes No

Committee

Report

SENATE BILL NO. 47

INTRODUCED BY SEVERSON, ROTH, C. SMITH, BRIGGS, HURWITZ, ERNST, WALLIN, SWITZER, IVERSON, KEYSER, DEVLIN, CURTISS, LUND, KANDUCH, UNDERDAL, SCHULTE, SEIFERT, MUELLER, HEMSTAD, R. ANDERSON, SALES, BERTOLSEN, ELLISON, KROPP, ELLERD, MEYER, THOPT, McLANE, ASAY, FEDA, BURNETT, NEUMAN, HANNAH, SHONTZ, ZABROCKI, CONN, SIVERTSEN, ABRAMS, VIGGER, HOLLIDAY, MENAHAN, PHILLIPS, GALT, STORY, E. SMITH, TVEIT, MANLEY, GRAHAM, HAEFFERMAN, HAGER, McCALLUM, HAMMOND, AKLESTAD, NELSON, KOLSTAD, P. RYAN, ETCHART, THOMAS, HEALY, NORMAN, JOHNSON, DOVER, LEE, KEATING, B. BROWN, J. O'HARA, CRIPPEN, BOYLAN, OLSON, OCHSNER, S. BROWN, ELLIOTT, HAZELBAKER, M. ANDERSON, D. MANNING, CONOVER, STINATZ, TONE, STEPHENS

IN THE SENATE

January 5, 1981	Introduced and referred to Committee on Taxation.
January 6, 1981	Fiscal note requested.
January 9, 1981	Fiscal note returned.
January 15, 1981	On motion by chief sponsor, several Senators and House members were added as authors to the pre-filed bill.
February 3, 1981	Committee recommend bill do pass. Report adopted.
February 4, 1981	Bill printed and placed on members' desks.
February 5, 1981	Second reading, do pass as amended.
February 7, 1981	Correctly engrossed.
February 9, 1981	Third reading, passed. Transmitted to House.

IN THE HOUSE

February 10, 1981	Introduced and referred to Committee on Taxation.
March 20, 1981	Committee recommend bill be concurred in. Report adopted.
March 27, 1981	Second reading, concurred in.
March 30, 1981	On motion rules suspended and bill allowed to be transmitted on 71st legislative day. Motion adopted.
March 31, 1981	Third reading, concurred in. Ayes, 87; Noes, 9.

IN THE SENATE

April 1, 1981	Returned from House. Concurred in. Sent to enrolling. Reported correctly enrolled.
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1 SENATE BILL NO. 47
 2 INTRODUCED BY SEVERSON/ROTH
 3
 4 A BILL FOR AN ACT ENTITLED: "AN ACT TO REMOVE LIVESTOCK,
 5 POULTRY, AND THE UNPROCESSED PRODUCTS OF BOTH FROM CLASS
 6 SEVEN AND PLACE THEM IN CLASS SIX FOR PURPOSES OF PROPERTY
 7 TAXATION; AMENDING SECTIONS 15-6-136 AND 15-6-137, MCA."
 8
 9 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:
 10 Section 1. Section 15-6-136, MCA, is amended to read:
 11 "15-6-136. Class six property -- description -- taxable
 12 percentage. (1) Class six property includes:
 13 (a) business inventories as defined in this section;
 14 and
 15 (b) all unprocessed agricultural products on the farm
 16 or in storage except:
 17 ~~(1) perishable fruits and vegetables in farm~~
 18 ~~storage and owned by the producer; and~~
 19 ~~(2) livestock and poultry and the unprocessed products~~
 20 ~~of both.~~
 21 (2) "Business inventories" includes goods intended for
 22 sale or lease in the ordinary course of business and raw
 23 materials and work in progress with respect to such goods.
 24 Business inventories do not include goods leased or rented
 25 or mobile homes held by a dealer or distributor as part of

1 his stock in trade. The market value of business
 2 inventories, for property tax purposes, is the cost to the
 3 person subject to the inventory tax.
 4 (3) Class six property is taxed at 4% of its market
 5 value."
 6 Section 2. Section 15-6-137, MCA, is amended to read:
 7 "15-6-137. Class seven property -- description --
 8 taxable percentage. (1) Class seven property includes:
 9 ~~(a) livestock, poultry, and unprocessed products of~~
 10 ~~both;~~
 11 ~~(b) all~~ all property used and owned by persons, firms,
 12 corporations, or other organizations that are engaged in the
 13 business of furnishing telephone communications exclusively
 14 to rural areas or to rural areas and cities and towns of 200
 15 persons or less;
 16 ~~(c) all~~ all property owned by cooperative rural
 17 electrical and cooperative rural telephone associations that
 18 serve less than 95% of the electricity consumers or
 19 telephone users within the incorporated limits of a city or
 20 town;
 21 ~~(d) all~~ electric transformers and meters; electric light
 22 and power substation machinery; natural gas measuring and
 23 regulating station equipment, meters, and compressor station
 24 machinery owned by centrally assessed public utilities; and
 25 tools used in the repair and maintenance of this property;

SBH7

1 and

2 ~~to~~(d) tools, implements, and machinery used to repair
3 and maintain machinery not used for manufacturing and mining
4 purposes.

5 (2) To qualify for this classification, the average
6 circuit miles for each station on the telephone
7 communication system described in subsection (1)(b) must be
8 more than 1 1/4 miles.

9 (3) Class seven property is taxed at 3% of its market
10 value.*

-End-

Approved by Committee
on Taxation

SENATE BILL NO. 47

INTRODUCED BY SEVERSON, ROTH, C. SMITH, BRIGGS, HURWITZ,
ERNST, WALLIN, SNITZER, IVERSUN, KEYSER, DEVLIN, CURTISS,
LUND, KANDUCH, UNDERDAL, SCHULTZ, SEIFERT, MUELLER, REMSTAD,
R. ANDERSON, SALES, BERTELSEN, ELLISON, KROPP, ELLERD,
MEYER, THJFT, McLANE, ASAY, FEOLA, BURNETT, NEUMAN, HANNAH,
SHONTZ, ZADROCKI, CONN, SIVERTSEN, ABRAMS, VINGER, HOLLIDAY,
MENAHAN, PHILLIPS, GALT, STURY, E. SMITH, TVEIT, MANLEY,
GRAHAM, HAFERMAN, HAUER, MCCALLUM, HAMMOND, AKLESTAD,
NELSON, KULSTAD, P. RYAN, ETCHART, THOMAS, HEALY, NORMAN,
JOHNSON, DUVER, LEE, KEATING, S. BROWN, J. O'HARA, CRIPPEN,
BOYLAN, OLSON, OCHSNER, S. BROWN, ELLIOTT, HAZELBAKER,
M. ANDERSON, D. MANNING, CONOVER, STIMATZ, FOWE, STEPHENS

A BILL FOR AN ACT ENTITLED: "AN ACT TO REMOVE LIVESTOCK,
POULTRY, AND THE UNPROCESSED PRODUCTS OF BOTH FROM CLASS
SEVEN AND PLACE THEM IN CLASS SIX FOR PURPOSES OF PROPERTY
TAXATION; AMENDING SECTIONS 15-6-136 AND 15-6-137, MCA."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

Section 1. Section 15-6-136, MCA, is amended to read:

"15-6-136. Class six property -- description --
taxable percentage. (1) Class six property includes:

(a) business inventories as defined in this section;

and

(b) all unprocessed agricultural products on the farm
or in storage except:

~~frt--all~~ perishable fruits and vegetables in farm
storage and owned by the producer; and

~~frt--livestock-and-poultry-and-the-unprocessed-products~~
~~of-both.~~

(2) "Business inventories" includes goods intended for
sale or lease in the ordinary course of business and raw
materials and work in progress with respect to such goods.
Business inventories do not include goods leased or rented
or mobile homes held by a dealer or distributor as part of
his stock in trade. The market value of business
inventories, for property tax purposes, is the cost to the
person subject to the inventory tax.

(3) Class six property is taxed at 4% of its market
value."

Section 2. Section 15-6-137, MCA, is amended to read:
"15-6-137. Class seven property -- description --
taxable percentage. (1) Class seven property includes:

~~frt--livestock, poultry, and--unprocessed--products--of~~
~~both;~~

~~frt(a)~~ all property used and owned by persons, firms,
corporations, or other organizations that are engaged in the
business of furnishing telephone communications exclusively
to rural areas or to rural areas and cities and towns of 800

1 persons or less;

2 ~~tet(b)~~ all property owned by cooperative rural
3 electrical and cooperative rural telephone associations that
4 serve less than 95% of the electricity consumers or
5 telephone users within the incorporated limits of a city or
6 town;

7 ~~tet(c)~~ electric transformers and meters; electric
8 light and power substation machinery; natural gas measuring
9 and regulating station equipment, meters, and compressor
10 station machinery owned by centrally assessed public
11 utilities; and tools used in the repair and maintenance of
12 this property; and

13 ~~tet(d)~~ tools, implements, and machinery used to repair
14 and maintain machinery not used for manufacturing and mining
15 purposes.

16 (2) To qualify for this classification, the average
17 circuit miles for each station on the telephone
18 communication system described in subsection (1)(a) must be
19 more than 1 1/4 miles.

20 (3) Class seven property is taxed at 8% of its market
21 value."

-end-

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INTRODUCED BY SEVERSON, ROTH, C. SMITH, BRIGGS, HURWITZ,
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A BILL FOR AN ACT ENTITLED: "AN ACT TO REMOVE LIVESTOCK,
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 TAXATION; AND PROVIDING AN APPLICABILITY AND IMMEDIATE
EFFECTIVE DATE; AMENDING SECTIONS 15-6-136 AND 15-6-137,
 MCA."

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and
 (b) all unprocessed agricultural products on the farm
 or in storage except:
~~(i) all~~ perishable fruits and vegetables in farm
 storage and owned by the producer ~~and~~
~~(ii) livestock and poultry and the unprocessed products~~
~~of both.~~

(2) "Business inventories" includes goods intended for
 sale or lease in the ordinary course of business and raw
 materials and work in progress with respect to such goods.
 Business inventories do not include goods leased or rented
 or mobile homes held by a dealer or distributor as part of
 his stock in trade. The market value of business
 inventories, for property tax purposes, is the cost to the
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~~both;~~

~~(b) all~~ (a) all property used and owned by persons, firms,
 corporations, or other organizations that are engaged in the

1 business of furnishing telephone communications exclusively
2 to rural areas or to rural areas and cities and towns of 800
3 persons or less;

4 (c)(b) all property owned by cooperative rural
5 electrical and cooperative rural telephone associations that
6 serve less than 95% of the electricity consumers or
7 telephone users within the incorporated limits of a city or
8 town;

9 (c)(c) electric transformers and meters; electric
10 light and power substation machinery; natural gas measuring
11 and regulating station equipment, meters, and compressor
12 station machinery owned by centrally assessed public
13 utilities; and tools used in the repair and maintenance of
14 this property; and

15 (c)(d) tools, implements, and machinery used to repair
16 and maintain machinery not used for manufacturing and mining
17 purposes.

18 (2) To qualify for this classification, the average
19 circuit miles for each station on the telephone
20 communication system described in subsection (1)(b) must be
21 more than 1 1/4 miles.

22 (3) Class seven property is taxed at 8% of its market
23 value."

24 SECTION 3. APPLICABILITY. THIS ACT APPLIES TO ALL
25 TAXES ASSESSED AFTER DECEMBER 31, 1980.

1 SECTION 4. EFFECTIVE DATE. THIS ACT IS EFFECTIVE ON
2 PASSAGE AND APPROVAL.

-End-

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4 ~~fe)(b)~~ all property owned by cooperative rural
 5 electrical and cooperative rural telephone associations that
 6 serve less than 95% of the electricity consumers or
 7 telephone users within the incorporated limits of a city or
 8 town;

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 10 light and power substation machinery; natural gas measuring
 11 and regulating station equipment, meters, and compressor
 12 station machinery owned by centrally assessed public
 13 utilities; and tools used in the repair and maintenance of
 14 this property; and

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 16 and maintain machinery not used for manufacturing and mining
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 2 PASSAGE AND APPROVAL.

-End-

SENATE BILLS

COMMITTEE ON TAXATION

BILL NO.	ENTERED COMM.	DATE CONSIDERED	OUT OF COMM.	DO XXX PASS <u>DATE</u>	DO NOT PASS <u>DATE</u>	DO PASS AS AMEND. <u>DATE</u>	BE CON- CURRED IN <u>DATE</u>	BE CONC. IN AS AMENDED <u>DATE</u>	BE NOT CON- CURRED IN <u>DATE</u>
42	1-05-81	1-21-81				3-04-81			
44	1-05-81	3-23-81		3-23-81					
47	1-05-81	1-16-81		1-30-81					
53	1-05-81	1-14-81			2-19-81				
54	1-05-81	1-14-81				1-14-81			
55	1-05-81	1-14-81		1-14-81					
61	1-05-81	Withdrawn by author							
77	1-09-81	1-23-81				1-30-81			
85	1-12-81	1-21-81				2-11-81			
96	1-12-81	1-22-81				3-09-81			
98	1-12-81	1-23-81		2-09-81					
102	1-12-81	1-26-81				3-09-81			
107	1-12-81	1-22-81				2-19-81			
122	1-15-81	1-28-81				1-28-81			
126	1-15-81	1-26-81		3-21-81					
130	1-15-81	1-26-81	Tabled	3-25-81					

(Use Separate Sheet for Senate, House Bills, and Resolutions)

MINUTES OF THE MEETING
TAXATION COMMITTEE
MONTANA STATE SENATE

January 16, 1981

The sixth meeting of the Senate Taxation Committee was called to order by Chairman Pat Goodover at 8:10 a.m. in the auditorium of the Old Highway Building.

ROLL CALL: All members present with the exception of Senator Healy.

CONSIDERATION OF SENATE BILL 47: Chairman Goodover called upon Senator Elmer Severson to present this bill. Senator Severson said this bill was an act to remove livestock, poultry, and the unprocessed products of both from tax Class 7 and place them in Class 6 for purposes of property taxation. This bill would place all inventories along with all businesses, including poultry, in the same class, thus eliminating inequities and tries to see that people are treated equally. Senator Severson commented that this is a popular bill in the Legislature as there are 37 co-sponsors in the Senate and 43 in the House. Senator Severson introduced Audrey Roth, Big Sandy, chief co-sponsor of the bill in the House. She testified that the livestock industry is asking only for a tax equalizing livestock inventories with business inventories, reclassification from Class 7 to 6 and placing livestock and poultry into a 4% rather than an 8% rate. She said there are 10 states (Colorado, Idaho, Iowa, Nebraska, Oregon, Utah, Wyoming, Nevada, Washington, and Texas) without inventory tax on livestock. She stated opposition to SB 47 has come from counties that depend heavily on livestock tax, but she felt there were alternative taxes where people could carry their fair share.

Chairman Goodover announced that Senator Severson had provided him with a list of organizations and individual proponents that would be testifying on this bill and he called upon them.

PROPONENTS:

George Rath, Montana Stockgrower's Association, attachment #1.

Mr. Jack Dunn, Park County Stockgrower's, attachment #2.

Senator Carroll Graham, Board of Directors of the Montana Cattlemen's Association, attachment #3.

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Mr. Jack Asey, Montana Cattlefeeder's Association, attachment #4.

George Schulz, President of Montana Dairyman's Association.

Bob Gilbert, Montana Woolgrower's Association, favors this bill and brings attention to the fact that we are also considering sheep.

Don Johannsen, National Farmer's Organization, attachment #5.

Pat Underwood, Director of Information and Public Affairs for the Montana Farm Bureau, attachment #6.

Bill Asher, Agricultural Preservation Association, Sweetgrass County Preservation Association, and Stillwater County Agricultural Legislative Association.

Yvonne P. Snider, Women Involved in Farm Economics, attachment # 7.

Joyce Grande, Montana Cowbelles, attachment #8.

Senator Tom Hager.

Senator Elmer Severson, speaking on behalf of the Pork Grower's Association.

Kenneth A. Coulter, Garfield-McCone Legislative Association, urged support of SB47, but said people in these counties have trouble understanding the different rates of taxes on other items. Some properties are taxed at 16%, some 3%, farm machinery, 11%, and land at 30%. He asked the committee to consider discrepancies in differing tax rates. Mr. Coulter then spoke for the Montana Association of Counties as an opponent of SB47, also as a County Commissioner against. He said they see the tax base eroded continually, but they are not asked to perform less service. He went on record as having a blanket opposition to any reduction in taxable values in his county. He further stated that as we reduce income to the county we're looking at reducing services or asking the state to come in with more money, or putting the tax on land to provide the service, and he felt these things should be considered. He further pointed out that ranchers on the considerable public land in his county needs roads, schools, and law enforcement, and so far the payment in lieu of taxes is not sufficient, and tax on the land is not sufficient.

Avis Ann Tobin, Montana Hardware and Implement Association.

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Keith Anderson, President of Montana Taxpayer's Association, attachment #9.

Senator Severson read statement from the Montana Chamber of Commerce, attachment #10.

Gene Chapel, for himself, attachment #11.

Bud Pile, Sweetgrass Preservation Association, attachment #12.

John Stahl, Jr., for Hutterites across the state.

Arnold Indreland, rancher and member of Farm Bureau who said his tax had increased 4 times in the 16 years since he started ranching. He recommended that valuation on anything taxable be taken out of the hands of the Department of Revenue and placed in the hands of the Senate and the House and that the Legislature prescribe the values under which all properties will be taxed and the maximum mill levies permitted.

Ann Scott, Montana Farmer's Union, attachment #13.

Ray Beck, Montana Association of State Grazing District and Montana Association of Conservation Districts, attachment #14.

Kermit Anderson, Sweetgrass Preservation Association.

Francis Engellant, Director, Choteau County Livestock Protective Association, handed the committee secretary his statement for the record at the close of the meeting, attachment #15.

OPPONENTS:

Doris Shepherd, representing the Montana Association of Counties, said that although repetitious, she could still say that the counties are faced with the constant decrease in tax base and tax dollars. Counties rely heavily on tax monies because of demand for services. Many counties are at the mill levy limit and she wondered where the counties could go after that.

Senator Elliott asked the gathering for a show of hands as to whether the group would like to see an equal reduction in county spending and county service, and an overwhelming majority of hands were raised.

Greg Satz, President of Park County Stockgrower's, stated that in 1952 his father paid \$800.00 in taxes and that he paid \$6,000.00 for the same place, and his road still only

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gets graded once.

Senator Severson closed by saying that he has served on the Taxation Committee for 3 different terms and said he had just witnessed the best hearing he had ever seen. He gave his thanks and appreciation to those attending and said the committee would do its best to help.

Senator Goodover adjourned the meeting stating that the committee would meet in executive session and try to come up with answers.



Senator Pat Goodover, Chairman

ROLL CALL

TAXATION COMMITTEE

47th LEGISLATIVE SESSION - - 1981

Date Jan. 16/

NAME	PRESENT	ABSENT	EXCUSED
Goodover, Pat M., Chairman	✓		
McCallum, George, Vice	✓		
Brown, Bob	✓		
Brown, Steve	✓		
Crippen, Bruce D.	✓		
Eck, Dorothy	✓		
Elliott, Roger H.	✓		
Hager, Tom	✓		
Healy, John E. "Jack"		✓	
Manley, John E.	✓		
Norman, Bill	✓		
Ochsner, J. Donald	✓		
Severson, Elmer D.	✓		
Towe, Thomas E.	✓		

Each day attach to minutes.

DATE Jan. 16, 1981

COMMITTEE ON Education

VISITORS' REGISTER

[illegible]

DATE Jan. 16, 1981COMMITTEE ON Legislation

VISITORS' REGISTER

NAME	REPRESENTING	Senate BILL #	Check Support
Ken A. Allen	P.O. Council, Shelburne		✓
Donald A. Anderson	Park Co. Shovelers		✓
William M. Anderson	Rancher		✓
Kenneth D. Benson	"		✓
John D. B. B. B.	Boothel, Mont		✓
Gene B. B. B.	" Boothel, Mont		
Paul B. B. B.	"		✓
Bob B. B. B.	"		✓
BILL ASHER	APA - SCPA - SCALA		✓
Carl Dunn	Park County Shovelers' Assoc.		✓
Tom B. B. B.	DEPARTMENT OF REVENUE		
Mr. B. B. B.	Rancher		
Bob B. B. B.	Rancher		
John B. B. B.	Mt. Assn. Co.		
Kenneth A. B. B.	GARE Co. Comm MONT ASSN OF CO. GARE MCONE LEG. ASSOC.		
Edward E. B. B.	Park Co. Shovelers' Assn.		✓
Steve B. B. B.	MS & A - B. B. B.		✓
Edna B. B. B.	Rancher		✓
Ed Hardwick	Rancher		✓
Don B. B. B.	Rancher		✓
Karen B. B. B.	Rancher		✓
William B. B. B.	Rancher		✓
Paul B. B. B.	Rancher		✓
Bob B. B. B.	Rancher		✓
Bob B. B. B.	Rancher		✓

DATE Jan. 16, 1981

COMMITTEE ON Legislation

VISITORS' REGISTER

[illegible]

DATE Jan 16 1981

COMMITTEE ON TAXATION

VISITORS' REGISTER

NAME	REPRESENTING	BILL #	Check Support
J.H. Bales	Montana Chamber	SB47	X
Pirkun Roth	Big Sandy	"	X
Eugene Lewis	Lewistown Mt.	"	X
S. Keith Anderson	Manitowish	SB47	X
Wm. T. Egan	Mt. Stockyards Assn	SB47	X
Helen G. Langer	SPB - SCBA School		X
Ann Scott	Montana Farmers Union	SB47	X
Hank Olson	Cross River, MT	SB47	X
Rick R. Becker	Townsend MT	SB47	X
Sam & Ruth Hoffman	AG Producers Assoc.	SB47	X
Dorothy Dwyer	Winning Mt.	SB47	X
John P. Brown	Winning Mt.	SB47	X
Nancy L. McPherson	Wolf Creek Mt.	SB47	X
Don W. Hilgen	Wolf Creek Mt.	SB47	✓
Richard J. Rogers	Rocky Mountain	"	X
Kyle Ruff	Rocky Mts.	"	✓
James A. Kline	Chippewa	-207	✓
Tommy H. Miller	"	419	X
Arthur H. Ross	"	SB47	X
Robert E. Ford	(Unintelligible)	SA47	X
David S. Smith	Helena	SR47	X
John M. Deane	White Sulphur Springs	SD47	X
Harold Hillert	Montana Wood Workers	SB47	✓

DATE Jan 16, 1981

COMMITTEE ON TAXATION

VISITORS' REGISTER

[illegible]

STATUS SHEET

TAXATION

COMMITTEE

47th Legislature

SENATE

Bill No.	Subject matter	Date In	Sponsor	Hearing Date	Committee Action	Date Out
SB 42	To increase the penalty for delinquent property tax payment from 2/3 of 1% to 5/6 of 1% per month.	March 21	Brown	March 26	Be concurred in Unan March 26	
SB 44	To raise the individual income tax exemption from \$800 to \$1000	March 30	Elliott	April 10		
SB 47	To remove livestock, poultry etc., from class 7 and place them in class 6 for purposes of property taxation	Feb 10	Severson	Feb 23	Tabled 14-4 March 4 Be concurred in 13-4	March 17
SB 54	To require service of the appeal petition on the department of revenue	Jan 21	B. Brown	March 5	Be concurred in Unan March 6	March 7
SB 55	To simplify reporting requirements for certain taxes	Jan 20	B. Brown	March 5	Be concurred in March 6 Back to committee March 10 Be concurred in March 17	March 17
SB 77	To extend the authority of the state board of examiners	Feb 8	Himsl	March 16	Be concurred in as amended Unan April 10 Undecided	

HOUSE TAXATION COMMITTEE MEETING MINUTES
February 23, 1981

A meeting of the House Taxation Committee was held on Monday, February 23, 1981 at 8:00 in the Livestock Auditorium, Helena, Montana. With Vice Chairman Rep. Bob Sivertsen presiding, all members were present except Reps. Nordtvedt and Brand, who were excused, and Reps. Harrington and Neuman, who were absent. SENATE BILL 47 was heard.

The hearing on SENATE BILL 47, sponsored by Senator Elmer Severson was opened. This bill places inventories of all businesses including livestock and poultry into the same class. The bill doesn't really create impact to the Counties. If the bill had been law last year, more money than in 1978 would have been received from the livestock tax. In 1980 Counties got quite a windfall and this bill would prevent that. A 103% increase over a two-year period has occurred in the tax, while all other property in the State increased 15%. In 1979-80 the industry took a 30% reduction in prices; in a 15% inflation period that is close to a 45% drop. He felt the Fiscal Note was erroneous. It does give the impact to the County from 1980. However in 1979 it was less than half of that, and in 1978 it would have been a positive impact. This bill was supposed to have been a joint House-Senate bill.

Rep. Audrey Roth then spoke, as co-sponsor of the bill. The industry is only asking for an equitable tax. Equalization has prevailed to reclassify livestock, poultry and unprocessed products from 8% to 4% of market value. Assuming a 200 mill average Statewide, the reduction on livestock would amount to approximately 2% of the total property tax. She pointed out that many States have no inventory tax on livestock; they have exempted livestock completely. Opposition to this bill comes from those Counties depending heavily on the Livestock tax; however, the livestock industry cannot afford the luxury of paying such large percentages to local government, and its ever-increasing services. There are alternative taxes where people can pay their fair share. Livestock taxes were meant for maintaining animal health, inspectors, etc. They don't mind this, but it is high time this property be taxed like others.

George P. Rath, President of the Montana Stockgrowers Association, then rose in support of SB 47; see written testimony Exhibit "A."

Mr. Jack Dunn, Park County Stockgrowers, then spoke, see Exhibit "B."

Keith Anderson, President of the Montana Taxpayers Association, then rose in support of the bill; see Exhibit "C."

Jack Asay, representing the Montana Cattle Feeders Association, Inc., then rose in support of the measure; see Exhibit "D." Alice Fryslie, Montana Cattlemen's Association, then submitted testimony which was presented by Mr. Asay.

Bob Gilbert, Montana Wool Growers Association, then spoke; see Exhibit "E."

Wayne Gibson, First Security Bank of Bozeman Vice President

The agricultural industry is in trouble; not only is this complicated by high interest rates and increased costs in operation; but the tax is becoming a real problem, and he wanted the Committee to look at this aspect. The Montana Department of Agriculture in the past ten years has taken the average value of cattle from \$195 to \$510. He feels these figures are inaccurate, and taxing cattle at 8% on these figures creates a substantial burden for ranchers. He encouraged the Committee to reduce the tax to 4%.

Jane Lindgren, President of the Montana CowBelles, then spoke up in support of the bill, urging a DO PASS. It is good logical and sound reasoning to put cattle on the same basis as other business invento. It is becoming increasingly difficult to keep cattle in Montana, and when cattle leave the State, the State is a big loser. There are 40,000 cattle less in Montana feed lots than a few years ago. Keeping the cattle would create a healthy tax structure and create jobs also. They just want an equal and just footing with their neighbors.

Yvonne B. Snider, representing W.I.F.E., then rose in support of the bill; see written testimony Exhibit "F." Also attached to her testimony were letters from the County Commissioners of Petroleum and Fergus Counties expressing support of the bill.

Senator Tom Hager then spoke up in support of the bill. As a poultry man, he is in favor of the bill.

Senator Tom Towe spoke in support of the bill. From the standpoint a legislator from an urban area, he pointed out that areas like his must rely on the market that comes to them from the rural areas. He expressed the opinion that it was a good time to support a measure to reduce the property taxes on livestock because: (1) The appraisal system has worked in such a way that the value of cattle has been increased and net revenue is not that much different from what it was two to three years ago under this bill. (2) Many Counties will this year and in the future benefit very well because of decontrol of oil. Their revenue should be increased by at least 200%. Therefore, this is an appropriate time to pass this bill.

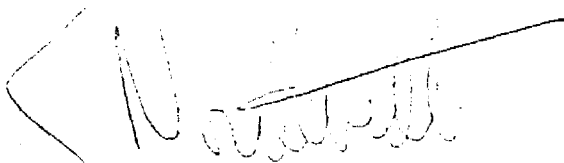
The following persons then stood and identified themselves as being PROPONENTS of the bill: George Vogt, a rancher in the Bitterroot Valley (see Exhibit "G"); Carl Johnson, a Livingston rancher; Ken Spaulding, Park County Commissioner; Ken Mesare, Foothills Livestock Association, Cascade County (see Exhibit "H"); Ray Gerringa, Carbon County Cattle Company (see Exhibit "I"); Stan Brown, Scott Feedlot, Billings (see Exhibit "J"); Charlie Pierson, representing four different organizations (see Exhibit "K"); Bud Pile, Big Timber rancher; Dean Randash, Livingston (see Exhibit "L"); Avis Ann Tobin, Montana Hardware and Implement Dealers; Elizabeth Berg, Fergus County; John Foley, Corvallis; Dan Hafland, First National Bank of Livingston; Alvin Ellis, Red Lodge livestock producer; Art Delsom, Lavina; and Sherry Fields, Lewistown. Ms. Fields added that she disagreed with the argument that all cattle should pay taxes to make up for the lower amount of taxes on BLM land; see Exhibit "M."

Gene Chapel, Vice President of the Montana Farm Bureau Federation rose in support of the bill; see Exhibit "N." Don Johannsen, N Farmers Organization President, added that a cow kept on a farm not really an asset, she is a business expense for inventory. The bill will bring the taxes to the point where they were before. Scott, Montana Farmers Union, rose in support of the measure. Ross, representing North Central Montana Stockgrowers, presented petition in favor of the bill; see Exhibit "O." Bud Boles, Montana Chamber of Commerce, rose in support of the bill.

Mike Stephen, Montana Association of Counties, then rose in OPPOSITION to the bill. He said that the equity question was in the Legislature's hands. The Counties depend on the property tax base; therefore, they are opposed to any move which reduces or exempts property taxes. The bill would reduce revenue to the Counties. The tax burden will be shifted to other property. It is not clear what this other property will be. Also, taxable valuation is reduced. With the fee bill looking like additional impact on the counties, and President Reagan's comments regarding the availability of Federal money, those that depend on property taxes are going to be in a crunch. Even though there is a shift in property taxes, there are limits they have to operate at, and if the County is at a mill ceiling, it isn't an easy thing to compensate for a loss to the tax base.

Questions were then asked. Rep. Asay wanted to know if the language on p. 2 line 14 of the bill was switched to prevent what happened in 1977 from happening again. Sen. Severson said that this was the same language as used in 1977, but this bill does not address cost valuation, only taxable value. Rep. Asay said that it seemed that the bill was saying the same thing as in 1977.

It was announced that EXECUTIVE ACTION would be taken on SB 47 the following week. The hearing on SB 47 was then closed, and the meeting was adjourned at 9:00 a.m.



Rep. Bob Sivertsen - Vice Chairman

GEORGE P. RATHS
President, MONTANA STOCKGROWERS ASSN.

7000077
EXHIBIT

SENATE BILL 47
January 16, 1981
F. P. R. 10

MR. CHAIRMAN, MEMBERS OF THE COMMITTEE:

The Montana Stockgrowers Association strongly supports Senate Bill 47. The livestock industry is the largest industry in Montana. At one time the cow was largely the only source of tax income in the state and she has continued to carry a disproportionate share of the tax load.

Our Legislature is concerned about bringing new business into the state. It also must be concerned about the old standbys who have supported us faithfully the years.

Every year in this state the assessors and Revenue Department spend hundreds of thousands of dollars trying to equalize the taxes and assessments on like kinds of property.

At present we have livestock paying a tax on 8% of market value while other unprocessed agricultural products pay a tax on 4% of market value. Inventory pays at a 4% rate.

Let us compare these items:

Livestock is a product of the soil, water and air. It is unprocessed. It requires a large taxable base of land and machinery to produce it.

Livestock, therefore, is very similar to other unprocessed agricultural products, yet it is taxed at twice the rate. Why?

Compare livestock to inventory. I would say it's a very slow moving inventory item as over three years go by before you can sell part of the cow as calf. The value of the cow is arrived at by using operator sales price. Inventory value is arrived at by using cost to the merchant.

By using brand inspections it is very easy for an assessor to come up with almost 100% count on cattle. They are readily assessable.

I see little distinction between livestock and other inventory. In fact it

it is probably just the opposite. Yet cows are taxed at twice the rate.

If we spend a great deal of effort and money trying to equalize taxes, shouldn't the inequity between livestock and the agricultural products be changed? Certainly it's a large burden to the rancher.

Certain people object to lowering the tax rate on livestock not because it's fair or unfair, but because they fear the loss of revenue.

I think we have almost broken the back of that old cow.

In the past, counties with large amounts of federal lands didn't receive much in lieu. However, the grazing fees have been raised substantially. Large acreages are leased for oil or coal or other minerals. The federal government receives large royalties and timber payments.

A part of all these moneys go to state or counties. Maybe counties could get a greater share of these revenues much as the people in western Montana are asking for a greater share of timber receipts.

Our surrounding states have no tax on livestock. They have found ways to replace it or never did have one.

Wyoming especially is very similar to Montana in that they have land patterns and ownership---federal and private and counties like ours with the same problems.

Mr. Chairman, Members of the Committee, we ask that you take favorable action on this bill.

Thank You.

TAXATION 2/23/81
EXHIBIT "B"

CATTLE TAX EQUALIZATION

BY

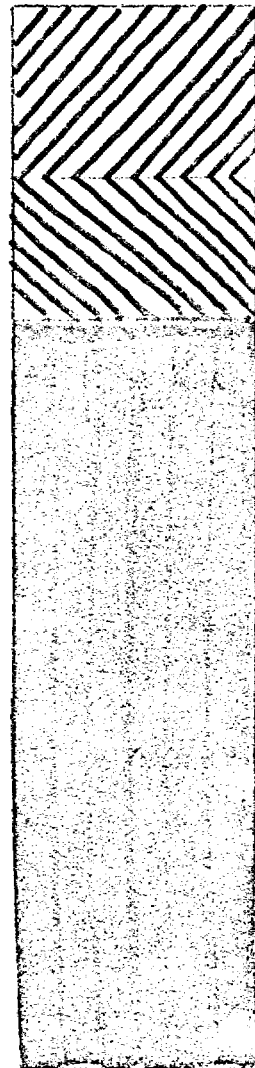
JACK DUNN

Park County Stockgrowers
Park County Farm Bureau

Feb. 23 1981

CATTLE VALUATION vs BUSINESS VALUATION

"MARKET VALUE"
 IMPOSED
 BY EQUATION EXCEEDS
 ACTUAL RETAIL PRICE
 REPLACEMENTS
 BULLS
 95% CALF CROP
 GROSS SALES



CATTLE

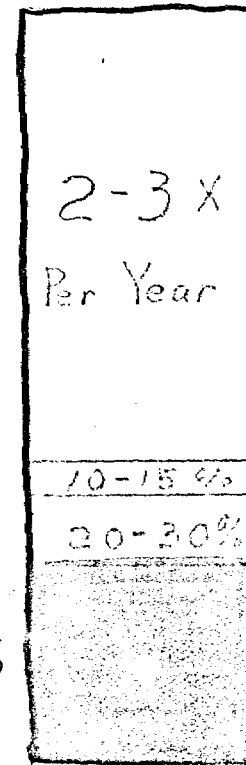
x8%



TAXABLE VALUATION



x4%



BUSINESS

GROSS SALES

2-3 X
 Per Year
 TURNOVER

10-15 %
 20-30 %
 PRE INVENTORY SALE
 MARK UP

Cost

CATTLE TAX EQUALIZATION

The present Cattle Inventory Tax system is very unfair & discriminatory in both the rate (cattle @ 8% ,business at 4%) and the method of market valuation.

Figure 1 shows the comparison between a cattle business and any other business. A business pays inventory tax only on the inventory in the store at the time of inventory. When during the year he sells that item and replaces it, there is no inventory tax on subsequent sales. A business that turns inventory over twice a year would pay inventory tax on only $\frac{1}{2}$ the sales. This inventory level can be reduced even further by a clearance or pre-inventory sale.

Business inventory is also valued at "the cost to the person subject to the tax"; that's dealer cost before any mark up. So all their operating expenses, wages and return on their labor and investment is not subject to the inventory tax. For many types of business, cost would be 20-30% less than the retail price. The combination of turnover and mark-up compensate each other. A business with a slow turnover would have a higher mark-up and a grocery store with a higher turnover would have less mark-up.

This reduced inventory valuation is then multiplied by 4% ($\frac{1}{2}$ the rate for cattle) to arrive at taxable valuation.

CATTLE ARE TAXED AT TWICE THE RATE !

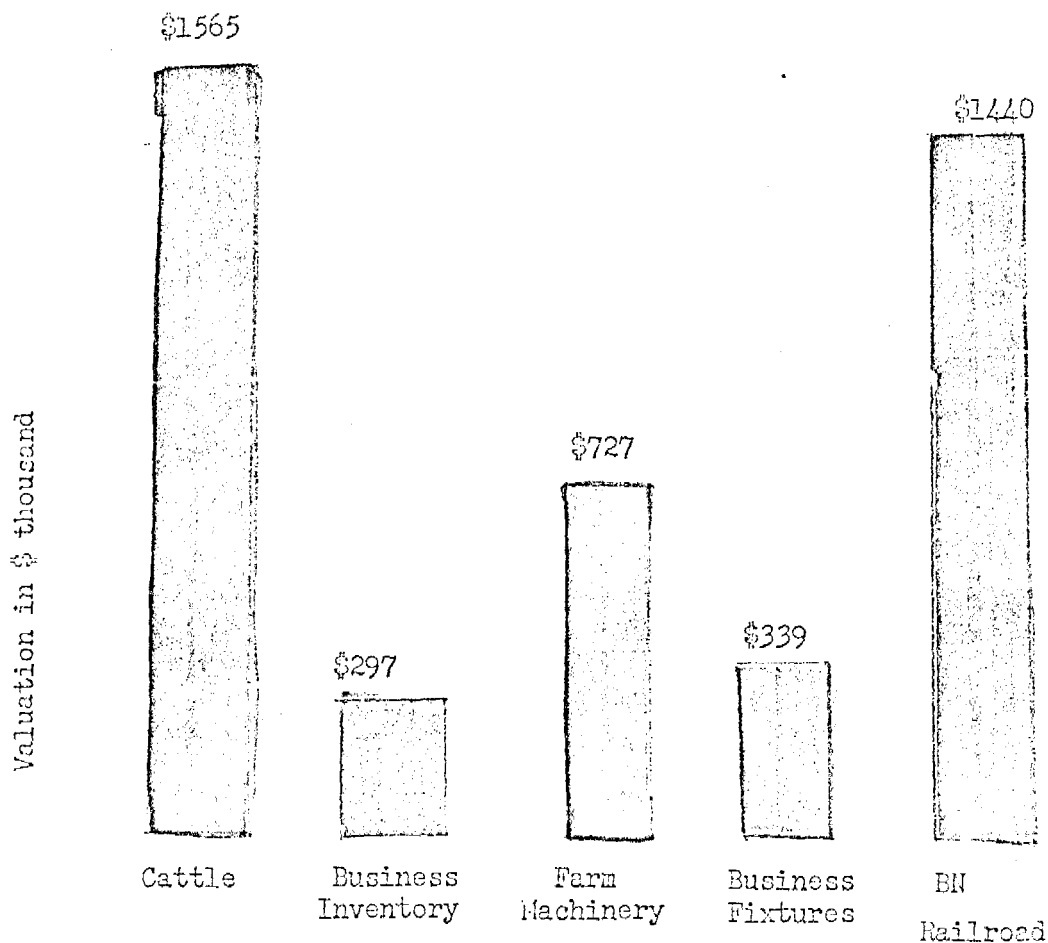
By comparison, cattlemen are to pay inventory tax on every animal and since it takes 9 months to gestate a calf and another 6-9 months to raise it to a marketable age, we can't raise more than one calf per year. We don't benefit from inventory turnover particularly when we have to pay inventory taxes on replacement heifers that won't have a calf until they are two years old. Then there are those cows that either won't have or will lose their calf. Generally replacement heifers might be 10-20% of a herd and only 90% of the cows complete the raising of a marketable calf. We also pay an inventory tax on our bulls. These bulls are necessary but don't have calves themselves and are sold for considerable less than what was paid for them. Yet their inventory tax is based on their prime initial value and no depreciation is allowed.

So the combination of these factors means that we pay inventory tax on 130% of our gross sales. Then instead of being able to use our own costs or even our own retail price, we are forced to use a hypothetical "market value" imposed by a FORMULA that has some of our animals valued at twice what we paid for them. This inflated valuation is then multiplied by 8% (twice rate of any other business) to arrive at a taxable valuation. Since this is a multiplier, it further exaggerates the differences in valuation. So the real difference is more like a ten to one difference. In its present form, the cattle tax is more like a gross income tax with no allowance for any expenses or depreciati

As verification of this inequity in inventory valuation, consider the Taxable Valuation of Park County in 1980. The Taxable Valuation for all our cattle is \$1.565 million. By comparison, the taxable valuation of every other business inventory in the whole county is only \$297 thousand...20% of the livestock total! Yet there are only about 250 families out of a population of 12,000 making their livelihood out of ranching. Could we really sell 20% of our cows and buy out everyone else in town??

The railroad is the largest employer in the county and employs over 1000 people with a payroll of \$21 million. Yet the taxable valuation of all the tracks, equipment and buildings is only \$1.44 million or less than what 250 ranchers are paying on just our cattle.

1980 TAXABLE VALUATION FOR PARK COUNTY



EQUALITY IN VALUATION IS BASIC TO ANY TAX STRUCTURE

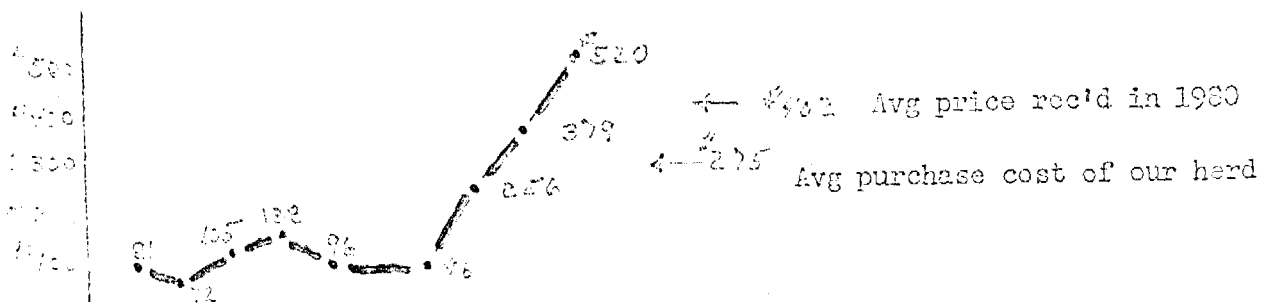
This present inventory tax is unfair and an undue hardship. Last year our inventory tax was \$10.20 per cow while I only received \$9.19 per cow as my wages for taking care of her and for my return on my investment for both her and the land to support her. A dollar less than the govt took for just the inventory tax. Not even minimum wage. We recognize the need to support our schools and other govt functions, but its not the cattle that use those facilities...its people. Only a small portion (15%) of our property tax is used for expenses uniquely associated with living in the country (road (bridges, rural fire and sheriff).

What we are really seeking is fairness in valuation. Its not a change in the tax structure. There are many bills before this legislature dealing with tax reduction or elimination. But it seems to me that even more fundamental has to be the equality in valuation. All SB47 concerns itself with is to achieve equality with other business inventory by using the same 4% to arrive at a taxable valuation. From there the mill levies can be applied equally to raise the desired or approved taxes.

I see no difference between myself as a businessman who happens to be in the cattle business and my neighbor who operates a welding shop to build wood stoves. Our inventory should be valued in a fair and equitable manner. Even in agriculture the present system is not fair. My cousin uses his land entirely to raise grain and pays 4% on his inventory. He doesn't like cattle and wouldn't have one on the place. I feel the same way about dirt farming and don't even own a grain drill. So my land is used entirely for cattle and have to pay twice the inventory tax rate.

In 1977 the legislature voted to correct some of this inequity when they approved a Cattle Tax Relief to lower the assessment rate from 33.3% to 20%. But the corresponding change from an assessment system to a Market Value system resulted in an INCREASE of Taxable Valuation rather than the anticipated decrease! In 1977 the taxable valuation of a cow was \$32; after passage of the relief the taxable valuation of a cow rose to \$41.60 in 1980. Thirty per cent higher than it has ever been. Yet the prices we are receiving for our calves is only one penny more than in 1973. The changes in the valuation effectively nullified the last action of the legislature.

CATTLE VALUATION BY DEPT OF REVENUE



TAXPAYER 2/
CAPIT "C"

NAME S. KEITH ANDERSON, PRESIDENT BILL No. SB 47
ADDRESS P. O. Box 4909 DATE FEBR. 23, 1
WHOM DO YOU REPRESENT MONTANA TAXPAYERS ASSOCIATION
SUPPORT XX OPPOSE AMEND

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

THE MONTANA TAXPAYERS ASSOCIATION SUPPORTS SENATE BILL 47 TO R. THE CLASSIFICATION RATE OF LIVESTOCK FROM 8 PERCENT TO 4 PERCENT. MAJORITY OF OUR MEMBERS FEEL THAT LIVESTOCK SHOULD BE CONSIDERED INV AND SHOULD BE TAXED NO DIFFERENTLY THAN BUSINESS INVENTORY UP AND DC THE STREET.

THE SUPPORT OF THIS LEGISLATION GOES MUCH DEEPER THAN THAT. TH. TAXATION OF INVENTORY ESSENTIALLY MEANS DOUBLE TAXATION. NOT ONLY IS INVENTORY TAXED BECAUSE IT IS SIMPLY ON THE RANGE, AND THERE IS NO LOGICAL RATIONALE FOR THAT ARGUMENT, BUT IT IS TAXED THROUGH THE INCC TAX WHEN SOLD IN THE MARKET PLACE.

WE ALSO CONSIDER THE EQUITY QUESTION FROM THE VIEWPOINT OF TAX REFORM. AND HERE WE ENCOUNTER THE ARGUMENT BY THOSE WHO OBJECT TO TAX REFORM OR ALTERATION OF THE TAX STRUCTURE BECAUSE IT WILL ALLEGEDLY DEPRIVE GOVERNMENT OF REVENUE. THERE ARE MANY THAT VIEW THE TAX STRUC AS SOLELY A VEHICLE TO RAISE MONEY FOR GOVERNMENT, NO MATTER WHERE IT COMES FROM, RATHER THAN TO ACHIEVE EQUITY WITHIN THE TAX STRUCTURE.

THE SAME OBJECTIONS WERE POSED WHEN THE LEGISLATURE ELIMINATED HOUSEHOLD GOODS AND SOLVENT CREDITS FROM PROPERTY TAXATION. LOCAL GOVERNMENTS OPPOSED THOSE BILLS BECAUSE "THE LEGISLATURE WAS CHIPPING AWAY AT THE TAX STRUCTURE." BUT WHAT REALLY HAPPENED WHEN THOSE TWO TAXES WERE TAKEN OFF THE BOOKS AND WHAT WILL HAPPEN WHEN LIVESTOCK IS REDUCED FROM 8 PERCENT TO 4 PERCENT? IN BOTH CASES, NOTHING REALLY

HAPPENED BECAUSE THE VALUATION INCREASES OF OTHER PROPERTY MORE THAN SET ANY DECREASE IN VALUATIONS FROM HOUSEHOLD GOODS AND SOLVENT CREDIT. IN THE CASE OF HOUSEHOLD GOODS THE VALUATION OF THE STATE INCREASED NEARLY 14 PERCENT THE NEXT YEAR AND COUNTY OFFICIALS DIDN'T EVEN KNOW IT WAS OFF THE BOOKS--EXCEPT THEY DIDN'T HAVE TO GO TO THE COST OF TRYING TO COLLECT THE TAX.

IF THE VALUATION OF LIVESTOCK HAD BEEN REDUCED DOWN TO 4 PERCENT FOR THE CURRENT FISCAL YEAR \$41.9 MILLION IN TAXABLE VALUE WOULD HAVE BEEN ELIMINATED FROM THE TAX STRUCTURE. THE VALUE OF ALL PROPERTY IN MONTANA INCREASED FROM \$1.6 BILLION TO \$1.8 BILLION OR \$224.1 MILLION FOR 1981. SO IF LIVESTOCK HAS BEEN ELIMINATED FOR 1981 PROPERTY VALUATIONS WOULD STILL HAVE INCREASED \$181.1 MILLION STATEWIDE WITH PERCENTAGES VARYING FROM COUNTY TO COUNTY.

ANY TAX SHIFT WOULD HAVE BEEN LARGELY MINIMAL AND WHAT WE FORGET IS THAT THIS SO-CALLED TAX SHIFT WOULD LARGELY BE ASSIMILATED BY THE VERY PEOPLE THAT ARE RUNNING LIVESTOCK TODAY. THE TAX WOULD BE PICKED UP ON LAND, BUILDINGS, MACHINERY AND OTHER PROPERTY SO AGRICULTURE WOULD STILL BE BEARING MUCH OF THE TAX BURDEN OF CATTLE BUT COLLECTED ON OTHER PROPERTY--AND FROM A MORE STABLE TAX BASE.

I SHOULD MENTION ALSO THAT THE INCREASING VALUE OF LIVESTOCK IN THIS INFLATIONARY ECONOMY WILL LIKEWISE SERVE TO OFFSET ANY DECREASE IN THE TAXABLE VALUE.

UNFORTUNATELY OUR TAX STRUCTURE IS VIEWED BY MANY AS A VEHICLE TO INCREASE TAXES FROM YEAR TO YEAR INSTEAD OF A VEHICLE TO BRING ABOUT TAX EQUITY. LOCAL SPENDING WILL NOT BE AFFECTED UNDER THIS BILL. LOCAL BUDGETS WILL BE ADOPTED AND MILL LEVIES EXTENDED AND THE TAXES COLLECTED. VALUATION SHOULD NOT BE EQUATED WITH TAXES. VALUATION PER SE DOESN'T PRODUCE A SINGLE DIME UNTIL THE MILL LEVY IS ADOPTED BY

COUNTY OFFICIALS AND IMPOSED AGAINST THAT VALUATION. I REJECT THE ARGUMENT OF REPLACEMENT REVENUE BECAUSE YOU CAN'T MAINTAIN THE STATUS QUO AND HAVE TAX REFORM. IN FACT IF THE TAX ON LIVESTOCK IS UNFAIR AND INEQUITABLE, AS I BELIEVE IT IS, IT HAS AMOUNTED TO WINDFALL REVENUE FOR GOVERNMENTS OVER THE YEARS.

WHAT WE ARE REALLY TALKING ABOUT WITH THIS LEGISLATION IS TAX REFORM AND AN ATTEMPT TO GAIN A MEASURE OF TAX EQUITY. I REITERATE THAT NEITHER WILL BE ACHIEVED IF WE ATTEMPT TO MAINTAIN THE STATUS QUO. AND THAT'S WHY WE HAVE THE TAX STRUCTURE ON THE BOOKS THAT WE DO TODAY.

I ENCOURAGE YOUR PASSAGE OF SENATE BILL 47 AS ONE STEP TOWARD TAX REFORM IN OUR STATE.

TELETYPE
FEB 11 1981

MONTANA CATTLE FEEDERS ASSOCIATION, INC.

P.O. BOX 30736, BILLINGS, MONTANA 59107

January 16, 1981

Chairman,
Senate Taxation Committee
Montana 47th Legislature

Dear Mr. Chairman and members,

The Montana Cattle Feeders Association strongly supports the passage of Senate Bill number 47, introduced by Senator Severson.

Our members accept the responsibility of equitable taxation, reject the tyranny of double taxation and oppose the continuation of the unfair tax treatment to which they are now subjected.

The present tax rules force us to compete against out-of-state commercial feeders who advertise, in Montana publications, that they have no livestock tax to pay in their states.

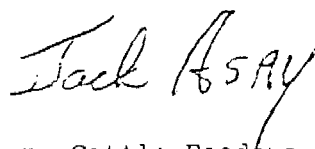
Montana has lost over 50% of its feedlot cattle population from over 160,000 head to less than 70,000 head on feed at one time. At the same time, we have seen losses of meat packing plants in the State and, with them, many jobs.

The cattle-feeding business brings cattle into the state to be fed and keeps raised cattle from leaving; it creates a labor market; it creates a grain market; by strengthening meat processing businesses, it helps reduce and stabilize Montana trucking industry.

The raising and feeding of cattle is a Business venture. In Montana, it is Big Business. There is absolutely no justification for the inventory of this Business to be taxed at a higher rate than that of other Montana Business.

We insist that we are entitled to equal treatment under the tax laws
Passage of this bill and the resultant categorizing of our inventories as
"class six property" will be a welcome step in the right direction.

Sincerely Yours,

A handwritten signature in cursive script that reads "Jack Asay". The signature is written in dark ink and is positioned above the typed name.

Montana Cattle Feeders Assn., inc.

7-10-17-18-19
E.V. 17-18-19

Montana Cattle Feeders, Inc.

P.O. Box 30736
Billings, Montana 59107
Phone 406-962-3248

February 23, 1981

Ray Gerringa
President

Mike Davey
1st Vice President

Stan Brown
2nd Vice President

Jack Asay
Executive Vice President

Dennis Flick
Secretary/Treasurer

Chairman,
House Taxation Committee
Montana 47th Legislature

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Montana has lost over 50% of its feedlot cattle population - from over
160,000 head to less than 70,000 head on feed at one time. At the same time,
we have seen losses of meat packing plants in the State and, with them, many jobs.

The cattle-feeding business brings cattle into the state to be fed and keeps
raised cattle from leaving; it creates a labor market; it creates a grain market;
by strengthening meat processing businesses, it helps reduce and stabilize Montana
retail meat prices; it causes increased vigor in the Montana trucking industry.

The raising and feeding of cattle is a Business venture. In Montana, it is
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We insist that we are entitled to equal treatment under the tax laws.
Passage of this bill and the resultant categorizing of our inventories as "class
six property" will be a welcome step in the right direction.

Sincerely Yours,

Jack Asay, Executive Vice President
Montana Cattle Feeders Assn., inc.

NAME BOB GILBERT Bill No. SB 4
 ADDRESS Helena, MT. DATE 2
 WHOM DO YOU REPRESENT Montana Wool Growers Assn
 SUPPORT ✓ OPPOSE _____ AMEND _____

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

The M.W.A. has attempted to get the bill passed to bring equity to the Montana taxation system.

We have worked on this measure with the other farm organizations which represent livestock producers. I.E. Mont Stock Growers Assn, mt Cattlemen, Farm Bureau & others.

We urge your strong support not only in committee but on the state house floor.

WIFE Women Involved In Farm Econom

Testimony Supporting Senate Bill 47

Presented by

Yvonne B. Snider

Gilt Edge Route

Lewistown, Montana 59457

Beef Commodity Chairman

for

Women Involved In Farm Economics (W.I.F.E.)

WIFE Women Involved In Farm Economics

My name is Yvonne Snider. My husband Don and I have a cattle and hay ranch in Fergus County. I am the Beef Commodity Chairman for Women

Involved in Farm Economics (W.I.F.E.) and in that capacity I represent approximately 500 members, most of whom have either cattle, sheep, hogs, or poultry in addition to other crops. Montana WIFE strongly supports and urges passage of Senate Bill 47 which would be a major step toward eliminating the unjust and discriminatory methods presently used to tax Montana's major industry.

Livestock and poultry producers are presently being taxed at twice the rate of any other business. This inequitable tax rate, in addition to other tax practices, put livestock producers at a financial disadvantage.

Other businesses are allowed to set their own prices for tax purposes. They make the decision as to what price item they will carry and the taxable valuation is based on that wholesale price, whereas the Department of Revenue sets the price on our product, as if we are not to be trusted. The price that they set is unrealistically high, based on selected sales and an arbitrary formula. This is analogous to taxing every clothing item in a department store on the retail (rather than wholesale) price of a Christian Dior original.

One of the excuses often used for the present practice of setting our cattle evaluation for us is that ranchers don't keep accurate records of their purchases and sales. That is a ridiculous charge--if our records are good enough for the IRS they should certainly be good enough for county tax purposes. We are businessmen and we have to keep records like any other business.

A retail merchant can turn his profit many times a year but he is taxed just once a year. We are taxed once a year even though we can turn that inventory only once, or less.

Pre-inventory sales or allowing inventory to deplete are common practices used by other businesses to prevent payment of their full share of inventory tax. Most livestock or poultry producers can not take advantage of this obvious tax dodge as it is not feasible or possible for a cow-calf operator.

Even though they are taxed as such, cows and bulls are not inventory--they are a manufacturing production unit that depreciates in value as any other manufacturing equipment does. They should be taxed on their depreciated value or their salvage price.

We have expenses to our "inventory" which no retail merchant ever has, sickness and death loss, medications and feed every single day, whether they're making a profit or not.

Livestock producers are often accused of giving an unfair account of the cattle they carry on "inventory". As a group, I firmly believe that livestock producers are as honest as any other segment of the population and that if there are discrepancies in the inventory of cattle there are similar discrepancies in store inventories, which would be much easier to hide. How often are the inventory records of other businesses compared with actual inventory? Present brand inspection laws make it very possible for county assessors to keep an accurate check on cattle inventory.

A retail merchant adds on his costs, including taxes, when he prices his product. The customer pays the tax when they buy the product. A livestock producer is subject to the market trends and has no way to pass the cost of his taxes on to anyone, which is proven this

year by the fact that livestock taxes doubled despite the fact that cattle prices were down as much as 25%.

The preceeding information should make you realize that livestock producers are subject to obvious tax disadvantages that do not effect other businessmen, yet we are not asking for preferential tax treatment. We are asking only for fair and equal tax rates.

The only opposition that we have heard to the reduction of cattle taxes is coming from the commissioners in some of the sparsely populated counties that only have cattle or land for a tax base. I would like to point out though, that these sparsely populated counties like Garfield, Petroleum and Carter, have fewer services to provide and therefore do not require the revenue per capita that more populated counties do. For example, they have fewer schools and school districts, fewer roads and bridges to maintain, less law enforcement required, fewer county employees, and less welfare needed.

We have checked with friends of ours in Petroleum and Garfield Counties to compare our taxes. We know that vehicle licenses in Petroleum County are always cheaper. In our district, which is certainly not the highest in Fergus County, it cost us \$14.00 per cow for taxes this year. Our neighbors in Garfield County only paid \$10.00 per cow, and in Petroleum County the taxes cost just \$7.00 per cow. Our friends in Petroleum County did not feel that the reduction of the cattle tax would be harmful to the operation of their county government or to them personally, since levying of additional mills is both possible and reasonable. In support of the above statements I have brought along letters from the County Commissioners of Fergus

and Petroleum Counties in which they state their support for Senate Bill 47.

We understand the concerns of those County Administrators who are speaking in opposition to Senate Bill 47, but I would like to remind you that the few very sparsely populated counties are not representative of our state. It would be very unfair to penalize the livestock producers of the entire state in order to provide a tax base for those few counties that have no other business or industry. Our state leaders have found a way to equalize taxes for the benefit of the heavily populated counties like Yellowstone and Cascade. It seems reasonable to expect them also to provide an equalization plan that will make it possible for those less populated counties like Garfield, Carter, and Petroleum to continue to operate.

Senate Bill 47 would be a major step in giving livestock producers the equal tax status with other businesses which they deserve and need. We urge you to support the passage of Senate Bill 47.

Thankyou for allowing me the time to present these statements.

FERGUS COUNTY
STATE OF MONTANA

Lewistown, Montana 59457

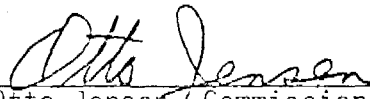
January 19, 1981

To Whom it may Concern:

The Board of Fergus County Commissioners whole-heartedly support Senate Bill # 47, changing the livestock tax from 8% to 4 %.

This would bring livestock taxation to an equal basis with other business inventory. We feel it is only fair as livestock should be considered as inventory of the stockmen.

Very truly yours,
BOARD OF COUNTY COMMISSIONERS
FERGUS COUNTY



Otto Jensen, Commissioners

OJ/mb

COUNTY OF PETROLEUM

WINNETT, MONTANA 59087

Kenneth Welter,
~~EXECUTIVE MANAGER~~
PATRICIA WEINGART, COMM
BRENDAN J. MURPHY, COMM
Cha.

January 19, 1981

To Whom It May Concern:

With regard to SB 47, the Petroleum County Commissioners would like to add their support and recommend its passage. Certainly it will affect our budgeting, but we feel the tax rate on livestock is too high when compared to other items and should be lower.

Sincerely,

Brendan J. Murphy

Brendan J. Murphy, Chairman

*Tax on a middle aged
cow in Petroleum County
for 1981.
\$6.76*

Brendan Murphy

76-077-200
EXHIBIT

TESTIMONY FOR S.B. #47, FEBRUARY 23, 1981, HELENA, MONTANA

Members of the Committee, Ladies and Gentlemen:

I am George Vogt, a rancher in the BitterRoot Valley, and appreciate the opportunity to give my reasons for supporting Senate Bill #47, which will reduce the tax on livestock from 8% to 4% which is presently levied on other businesses.

I am not seeking to escape the livestock producers fair share of the payments, but to present some facts that may not have been considered in

1. Inventory taxes on livestock ^{are} twice as high as that on inventories of other businesses.
2. The tax on business inventories is based on wholesale prices, while livestock inventories are based on prices received by the producer when he sold his product. Otherwise wholesale price for the businesses and price for the livestock grower.
3. Some businesses have rapid turnovers for their product and can, by fast sales, reduce inventories to a minimum. Not so for the beef producer who pays taxes on a cow during her entire lifetime often over ten years. He receives no income from her for the first 2 or 3 years of her life until her first calf is sold.
4. In times past livestock owners were accused of reporting fewer animals than were owned. This can no longer be a valid claim. The assessor of our county reported that all brand inspection slips are sent to each assessor in the state to provide information for cattle numbers. Inspectors are required to ship cattle out of the county, and to slaughter houses outside the county.
5. Many people including some livestock growers and legislators are not aware of a heavy special tax paid by owners of livestock for support of the Montana Livestock Commission which they and they alone pay. This is 1/8 of all the counties in Montana paid fewer mills to fund their own county budget than livestock producers paid in this special tax. What was 33 mills in 1980 and 35 mills in 1978-79.

Our neighboring states of Idaho, N.D., S.D. levy no such tax, but they evidently supply the same services for which Montana stockmen pay for and which in many instances directly or indirectly affect or protect every Montanan. I am not asking that the tax be removed but that it be remembered when the tax on livestock is considered, for the special tax is not light.

6. I have attached to my written testimony a record of the funds each county received from the federal government last year. These are the two kinds:
 - A. Federal Revenue Sharing, and
 - B. Payments in Lieu of Taxes or P.I.L.T. moneys.

These funds are often confused or lumped together.

PILT money is determined by the amount of federal land in a county, and the amount of money the county has received for the timber sales, grazing fees and other incomes.

The purpose of this fund was to decrease property taxes on individual owners, but in the past, it has been used by some counties for special projects even for C.D.'s.

Taxpayers in Ravalli County have insisted that PILT money go into the county's general fund, resulting in a decidedly lower millage.

I feel these funds should be considered for actual county needs and certainly could fill any loss that may be caused by an equitable tax on livestock.

7. Finally the cattle industry , a very important one in Montana is in trouble. Here are some of the indicators:

- A. Cattle numbers are down 19.47% in Montana over the five years preceding 1980 according to figures given me by the Montana Crop and Livestock Reporting Service. The 1% increase in 1980 which has been recently reported is not all that encouraging.
- B. Producers have management problems beyond their control.
 - 1. Widely fluctuating prices. So much so here that even Australians have cut their supply to the United States.
 - 2. Price on our steer calves this last fall was down 25% over 1979.
 - 3. High Interest rates.
 - 4. Highly inflated prices on what we buy and deflated prices for our
 - 5. And this year High taxes based on last year's high valuations.

The beef industry has been one of the few agricultural industries receiving no support prices, no subsidies. I would like to keep it that way and believe we can weather the storm if our present efforts are allowed to develop, among which is our request to pass Senate Bill #47. I respectfully ask your support for this bill.

THANK YOU!!!

PILT PAYMENTS TOTAL \$8,078,067

Montana's counties will receive some \$8 million for FY 1980 payments-in-lieu of taxes from the Department of Interior, Bureau of Land Management

The payments, by county, are as follows:

Anaconda-Deer Lodge	\$113,227	Madison	\$212,436
Beaverhead	224,471	McCone	131,196
Big Horn	24,911	Meagher	95,420
Blaine	251,461	Mineral	63,354
Broadwater	156,332	Missoula	226,388
Butte-Silver Bow	137,164	Musselshell	34,870
Carbon	304,529	Park	366,003
Carter	78,701	Petroleum	32,210
Cascade	149,817	Phillips	145,702
Chouteau	108,889	Pondera	75,320
Custer	232,366	Powder River	100,529
Daniels	148	Powell	109,493
Dawson	49,808	Prairie	42,612
Fallon	73,514	Ravalli	411,864
Fergus	341,382	Richland	34,087
Flathead	250,589	Roosevelt	3,052
Gallatin	467,629	Rosebud	232,439
Garfield	82,625	Sanders	89,427
Glacier	293,851	Sheridan	974
Golden Valley	22,510	Stillwater	132,356
Granite	69,891	Sweet Grass	140,846
Hill	33,972	Teton	186,134
Jefferson	215,517	Toole	31,783
Judith Basin	130,801	Treasure	8,145
Lake	32,589	Valley	309,287
Lewis and Clark	703,452	Wheatland	47,504
Liberty	21,992	Wibaux	17,146
Lincoln	175,835	Yellowstone	49,517

Source: Montana Association of Counties

Revised - 11/11/79

Represented by
David H. Smith
Sept. 1979

THE MONTANA TAXPAYER, DECEMBER, 1979

General Federal Revenue Sharing - A

Entitlement Period 1 - 11, Jan. 1, 1972 - Sept. 30, 1

	E. P. 1 - 10	E. P. 11	Total		E. P. 1 - 10
Beaverhead County X	\$ 1,236,562	\$ 141,474	\$ 1,378,036	Granite County	\$ 515,256
Billings	243,902	42,133	290,940	Drummond	26,965
Lisa	17,338	1,290	18,628	Philipsburg	85,788
Big Horn County Y	1,168,140	179,554	1,347,694	Hill County	1,661,852
Hardin	196,938	24,394	221,332	Havre	852,548
Lodge Grass	73,980	7,568	81,548	Hingham	10,474
Crow Tribal Council	737,541	118,573	856,214	Jefferson County	950,685
Northern Cheyenne	620,012	98,136	718,148	Boulder	126,927
Blaine County X	1,160,082	156,124	1,316,206	Whitehall	66,181
Chinook	140,704	22,776	163,480	Judith Basin County	607,356
Harlem	95,666	15,359	111,535	Hobson	10,352
Fort Belknap Council	326,939	54,062	381,001	Stanford	43,832
Broadwater County	505,185	57,741	562,926	Lake County	2,634,526
Townsend	156,549	17,107	173,656	Polson	300,578
Carbon County	1,380,507	214,982	1,595,389	Ronan	196,357
Beard Creek	4,332	127	4,459	St. Ignatius	69,060
Bridge	69,783	14,951	84,744	Lewis & Clark County	2,619,284
Fromberg	13,808	4,859	18,667	East Helena	190,440
Joliet	32,711	5,227	37,938	Helena	1,697,402
Red Lodge	200,833	38,793	239,626	Liberty County	486,859
Carter County X	421,572	59,817	481,389	Chester	76,022
Etahala	25,375	3,589	29,064	Lincoln County	1,073,420
Cascade County	6,148,538	857,924	7,006,612	Eureka	82,805
Belt	81,870	10,472	92,342	Libby	307,264
Cascade	55,392	7,525	62,917	Troy	49,299
Great Falls	5,848,819	776,057	6,624,876	Rexford	3,046
Helena	11,065	2,039	13,104	McCone County X	477,833
Chouteau County	815,724	100,451	916,175	Circle	67,777
Big Sandy	34,066	4,359	38,425	Madison County X	851,406
Fort Benton	95,303	15,473	110,776	Sheridan	26,634
Geraldine	21,671	1,727	23,398	Twin Bridges	48,413
Chippewa Cree Council	199,759	30,439	230,193	Virginia City	10,499
Custer County	1,599,642	173,192	1,772,834	Ennis	28,949
Idaho		734	734	Meagher County	457,783
Miles City	778,120	136,223	914,343	White Sulphur Springs	78,711
Daniels County	539,926	66,098	605,924	Mineral County	474,007
Flaxville	12,701	1,350	14,551	Alberton	31,024
Scobey	86,797	16,596	103,393	Superior	88,960
Fort Peck Tribal Board	805,071	129,230	934,301	Missoula County	4,817,099
Dawson County	1,123,750	147,438	1,271,188	Missoula	3,018,611
Glendive	478,467	80,303	558,770	Musselshell County X	706,181
Richey	24,521	3,297	27,818	Helstone	22,927
Deer Lodge County	1,932,135		1,932,185	Roundup	242,827
Anaconda	1,505,653	406,895	1,912,559	Park County	1,199,701
Fallon County	842,983	120,362	963,850	Clyde Park	11,621
Denver	139,306	15,070	154,876	Livingston	764,711
Flora	9,939	1,089	11,078	Petroleum County	138,161
Fergus County	1,701,939	228,421	1,930,360	Winnett	
Gardiner	35,502	6,074	41,576		
Grass Range	6,317	976	7,293		
Lewistown	630,513	118,762	750,115		

Public input enunciated by the
and the like.
Tables in this publication indi-

Winifred	10,172	4,720	14,892
	10,307	4,054	14,361
Flathead County	4,723,036	893,090	5,616,126
Columbia Falls	371,406	49,929	421,335
Kalispell	1,195,493	216,994	1,412,474
Whitefish	510,219	75,969	585,988
Flathead Tribal Council	646,666	100,631	747,597
Gallatin County	2,764,729	425,336	3,190,065
Belgrade	125,534	30,612	156,146
Bozeman	1,580,600	300,728	1,881,328
Mannattan	108,717	6,736	115,453
Three Forks	67,795	10,862	78,657
West Yellowstone	64,413	30,615	95,028
Garfield County	430,246	59,263	490,709
Jordan	18,034	2,623	20,707
Glacier County	1,276,026	140,973	1,416,999
Browning	138,626	14,391	153,017
Cut Bank	199,233	27,258	226,491
Blackfeet Tribal Council	1,282,184	216,702	1,498,886
Golden Valley County	199,115	22,572	221,687
Lavina	7,251	888	8,139
Ryegate	10,173	1,591	11,764

Phillips	588,020	7,527	2
Dodson	156,627	18,471	6
Malta			
Saco	891,777	117,057	8
Pondera	13,492	1,867	7
Conrad	1,388,259	188,558	1
Valley	287,444	44,000	4
Powder	24,561	1,000	3
Broad	790,996	84,808	8
Powell			
Deer	3,525,227	506,000	5
	5,576,045	758,000	8
Prairie			
Ter	100,196	11,236	*
	34,769	3,744	
Raval	535,888	61,881	
Dar			
Ham	91,837	13,126	
Ste	522,000	64,217	
Rich	34,420	5,471	
Fair	12,965	2,466	
Sid	54,190	5,777	
	29,966	3,332	
	1,030,206	178,800	
	74,802	7,025	
	563,210	85,377	
	3,681	635	
	60,092	10,193	
	363,808	56,544	
	94,424	11,619	
	1,294,294	220,864	
	89,443	12,418	
	564,487	77,629	
	1,949,360	252,558	
	217,649	27,209	
	3,037,551	417,780	
	78,117	9,320	
	229,003	31,646	
	355,735	55,207	
	3,011,095	376,569	
	52,033	8,451	
	11,943	1,595	
	695,633	88,282	
	86,778	20,597	
	143,515	16,618	
	1,080,354	130,199	
	11,515	1,041	
	973,272	120,724	
	1,889,818	227,966	
	96,405	10,617	
	30,793	3,815	
	580,474	65,218	\$
			E. P. 11
			E. P. 11
			Total

980
Montana

General Federal Revenue Sharing - Montana

	E. P. 1 - 10	E. P. 11	Total E. P. 1 - 11
Roosevelt County	\$1,212,787	\$177,434	\$1,390,221
Bainville	10,525	1,307	11,832
Brockton	16,974	3,549	20,523
Culbertson	66,534	7,323	74,357
Froid	29,986	5,108	35,094
Poplar	84,026	13,380	97,406
Wolf Point	242,766	27,931	270,697
Rosebud County	1,187,886	236,892	1,424,778
Forsyth	123,641	26,093	149,734
Sanders County	1,295,617	200,864	1,496,481
Hot Springs	40,182	6,210	46,392
Plains	121,291	23,357	144,648
Thompson Falls	74,900	17,150	92,050
Sheridan County	690,541	67,792	758,333
Medicine Lake	31,203	3,176	34,379
Outlook	5,270	599	5,869
Plentywood	129,533	11,016	140,549
Westby	20,789	1,545	22,334
Silver Bow County	5,303,176	---	5,303,176
Butte	2,766,978	987,569	3,754,547
Walkerville	58,689	7,398	66,087
Stillwater County	808,094	148,527	956,621
Columbus	128,235	23,886	152,121
Sweet Grass County	602,256	59,292	661,548
Big Timber	109,832	20,816	130,648
Teton County	1,156,107	165,924	1,322,031
Choteau	80,970	12,183	93,153
Dutton	27,063	1,431	28,499
Fairfield	80,349	8,697	89,046
Toole County	1,175,384	159,479	1,334,863
Kevin	24,053	929	24,982
Shelby	193,246	27,399	220,645
Sunburst	19,985	2,780	22,765
Treasure County	196,520	28,484	225,004
Hysham	40,610	6,027	46,637
Valley County	1,589,915	220,641	1,810,556
Glasgow	426,294	87,403	513,697
Nashua	39,397	8,046	47,443
Opheim	18,942	3,563	22,505
Wheatland County	500,167	68,924	569,161
Harlowton	100,467	13,317	113,784
Judith Gap	6,209	1,270	7,479
Wibaux County	339,532	46,669	386,201
Wibaux	25,041	3,381	28,422
Yellowstone County	6,362,622	989,579	7,352,201
Billings	6,605,609	905,213	7,510,822
Broadview	10,596	911	11,507
Laurel	414,914	71,350	486,264
Total	\$123,221,422	\$18,165,781	\$141,387,203

* Estimated - Current fiscal data not reported.

Source: Office of Revenue Sharing, Department of the Treasury.

Many taxpayers are unaware of the amount of money coming to the cities and counties and how the amounts are spent. MontTax suggests that local chambers of commerce and other groups as well as the press should make it a point to find out and publish revenue sharing expenditures, along with complete information regarding other sources of revenue such as "in lieu" tax payments from the federal government.

The allocations are determined through a five factor formula calculation including population, urbanized population, population inversely weighted for per capita income, income tax collections, and general tax effort. Revisions are made from original estimated allocations according to data changes.

ment 11 that will be distributed for the period October 1, 1979 to September 30, 1980.

State, Local Entities in Montana Will Get Another \$27 Million Under Revenue Sharing

revenue sharing according to the Treasury Department. Of the total, \$8.9 million will be received at the state level and \$18.3 million will be doled out to counties and municipalities. This will be the final payments totalling \$212.1 million being received by the State of Montana since the inception of the federal revenue sharing program authorized by the 1972 Congress. The 1972 Congress appropriated \$30.2 billion over five years and the 1976 Congress extended revenue sharing through 1980 with another \$25.4 billion dollars.

In September, 1980 the final payments under Entitlement Period 11 will be made. In the

keep on enjoying the "free" money which flows from Washington under the revenue sharing plan will be busy lobbying for yet another extension.

State taxpayers associations have generally opposed the federal revenue sharing plan on the basis that the federal government has nothing to share. At their 1979 Annual Meeting in Kalispell, Montana, the Western States Taxpayers Conference adopted a Resolution opposing the extension of federal revenue sharing as being detrimental to sound state, local and federal fiscal policy. The program has not only skyrocketed the National debt now approaching \$979 billion dollars with a

by eroding the ability of the tax electorate to reasonably hold its public officials accountable for their actions.

The association executives noted that state governments are generally carrying large surpluses that in turn have been caused, at least in part, by federal handouts to the states. Likewise, this has caused state governments as well as local governments to establish new programs and spending levels that have not been approved and, probably would not have been approved, by the general electorate.

The Resolution urges Congress to allow the general federal

Senate Bill 47 Hearing
Ken Mesares-Foothills Livestock Assoc.

Ken Mesares, Rancher from Cascade, Secretary of the Executive Board of the Foothills Livestock Assoc., Cascade County. The Foothills Livestock Assoc. is a marketing association with 100 (one hundred) members marketing approx. 10,000 head of cattle.

Now that cattle production costs are rising much more rapidly than cattle prices, we as cattlemen have been particularly hard hit; Therefore; We of the Foothills Livestock Assoc. strongly support Senate Bill 4. A reduction in the tax assessment will certainly help provide for continuity of the family farm and ranch operations. May it stand on record the the Foothills Livestock Assoc. supports this bill.

Respectfully submitted,

Kenneth L. Mesares

Kenneth L. Mesares

NAME Raymond F. GERRINGA BILL No. S.B. 47
ADDRESS Boyd, MT. DATE FEB. 23, 1961
WHOM DO YOU REPRESENT CARBON COUNTY CATTLE CO
SUPPORT X OPPOSE _____ AMEND _____

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

WE STRONGLY SUPPORT S.B. 47 FOR A
MORE FAIR ~~EQUITABLE~~ TAXATION OF
FEEDLOT CATTLE. THIS PAST YEAR WE
HAVE SEEN 25,000 HD CATTLE LEAVE
MONTANA + GO INTO WYO. WHERE THERE
IS NOT A TAX ON CATTLE. WE CANNOT
AFFORD TO LOSE ANYMORE BUSINESS TO
OUT OF STATE INTEREST. IF THE PRESENT
TREND CONTINUES WE WILL SEE A
COLLAPSE OF FEEDING IN MONTANA. THIS
FIVE YEAR PERIOD HAS SEEN A DECLINE
160,000 HD ON FEED TO 25,000. IN THE
FUTURE WE WILL ENCOURAGE CUSTOMERS &
RANCHERS IN OUR AREA TO PAY TAX.
UNDER PROTEST & IF THIS MATTER IS
TAKEN UNDER CONSIDERATION AND A
FAIRER TAX PLACED ON CATTLE

Ray Gerringa

NAME Stam Brown BILL No. SB 47
ADDRESS Payor Star Route, Billings DATE 2/23/81
WHOM DO YOU REPRESENT John R. Scott & Sons (dba) Scott Feed
SUPPORT ✓ OPPOSE _____ AMEND _____

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

① As the operators of ^{one of} the dipping vats the state Scabbies Prevention program, we talk to a lot of people bringing cattle into the state. A lot of people are bringing cattle to the state due to the excessive taxes.

② We have a feedlot with a o time capacity of 30,000 head. It is a half full right now & will be less than that this summer. We can't compete with feedlots in neighboring states & do not have any livestock tax.

Decreasing the tax will bring a lot of cattle, a lot of business & a lot of money into the state.

TRANSLATIONS
EXHIBIT-111
NAME CHARLIE PIERSON Bill No. SB 47
ADDRESS LIVINGSTON DATE FEB.

WHOM DO YOU REPRESENT SEE BELOW
SUPPORT ✓ OPPOSE _____ AMEND _____

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

REPRESENTING: AGRICULTURAL PRESERVATION ASSOCIATION
PARK COUNTY LEGISLATIVE ASSOCIATION
SWEETGRASS COUNTY PRESERVATION ASSOCIATION
STILLWATER COUNTY AGRICULTURAL LEGISLATIVE ASSOCIATION

NAME Grover Linder Bill No. SB 47
ADDRESS East Edge Rt. DATE _____

WHOM DO YOU REPRESENT W.I.F.F.
SUPPORT X OPPOSE _____ AMEND _____

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

NAME Chris Ann Tolin BILL NO. SB 4
ADDRESS Helena DATE 2-23-81

WHOM DO YOU REPRESENT Mont. House & Ing. Assoc.
SUPPORT X OPPOSE _____ AMEND _____

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

Taxation
EXHIBIT

INVENTORY TAX COMPARISON

BETWEEN

A COW-CALF OPERATION AND INVENTORIED BUSINESS

Dean Randash
Livingston, Mt.

COW-CALF OPERATION:

INVENTORY EVALUATION-

For the purpose of analysing these two business operations let's use a cow-calf operation of 110 cows, which will create a cattle inventory value of \$70,000.00 as determined by the Montana Department of Revenue on the assessed market value. The inventory breakdown will be as follows:

1. 110 cows at \$520.00
2. 20 replacement heifers at \$350.00 per heifer
3. 5 bulls at \$1160.00 each

ANNUAL DOLLAR INCOME:

Allowing for cows that do not calve and calves that die at birth, from disease or other causes, let's hope for a 90% survival rate which would yield 99 live calves. Let us assume that there will be 50 steer calves which will grow to a market weight of 500 lbs. and 49 heifer calves, which will weigh 400 lbs. at market time. Let's use last years market prices which were .80¢ for steers and .72¢ for heifers. The calculation of gross income from calves is as follows:

50 steer calves (x) 500 lbs. (x) .80¢ per lb. = \$20,000.00

49 heifer calves (x) 400 lbs. (x) .70¢ per lb. = \$14,000.00

Total income from calves \$34,112.00

INVENTORY TAX EVALUATION

Eight percent of the Montana Department of Revenue assessed market value of cattle inventory is the taxable value. In this case, \$70,000.00 inventory would yield a taxable inventory of \$5,600.00 is 16% of the total gross income (\$34,112.00) generated before any operation expense such as wages, equipment depreciation and feed or grain. Feed and grain is an expense that should be considered a cost of goods, a cost to produce

the finished product (a marketable calf). This would further lower the gross operation income before other expenses are considered.

$\$5,600.00$ taxable value $\div$ $\$34,112.00$ Total income = 16.4%

BUSINESS INVENTORY OPERATION:

INVENTORY EVALUATION-

The inventory value of a business is determined on a last in-first out (LiFo) or a first in-first out (FiFo) basis as is determined by actual invoice receipts.

BUSINESS ANNUAL DOLLAR INCOME-

Let us assume that a \$70,000.00 business inventory will turnover two times (most businesses turn their inventory many more times than this), this will generate a cost of goods sold of \$140,000.00. If the business generates a gross profit margin of 25%, then \$140,000.00 worth of goods will have sold for a total of \$187,000.00. This leaves the business with a gross profit margin or gross income before any expenses, of \$47,000.00.

INVENTORY TAX EVALUATION:

Businesses are imposed a tax of 4% on the inventory value. In this case, 4% of \$70,000.00 is \$2,800.00 taxable inventory. The percentage of taxable value to gross income is 5.9%.

$\$2,800.00$ taxable value $\div$ $\$47,000.00$ Total income = 5.9%

SUMMARY:

	BUSINESS INVENTORY %	CATTLE INVENTORY %	DIFFEREN
TAXABLE INV. ÷ GROSS INCOME	5.9	16.4	2.8 Tim
TAXABLE INV. ÷ GROSS SALES	1.5	16.4	10.9 Tim
TAXABLE INV. ÷ COST OF INV.	4.0		
TAXABLE INV. ÷ MARKET VALUE		10.0	2.5 Tim
TAXABLE INV. ÷ ASSESSES VALUE		8.0	2.0 Tim

The inventory tax comparison between these two businesses is tot inequitable. The rancher with a cow-calf operation pays 16.4% of his sales in inventory tax, the inventoried business pays 1.5%. The ranc pays 16.4% of his total gross income while the business pays 5.9%. T Rancher is unable to pay inventory tax on the true cost of his produc as the inventoried business does, but has to pay twice the rate (8%) on an assessed value which is established by the Montana Department o Revenue.

The assessed value is supposed to be a market value but in fact : greater than the market value.

The rancher in the past has been more than willing to contribute their fair share but this is a gross injustice. Inventoried business are able to pass tax increases through their price structure on to the consumer, but the rancher has to accept the market price at the time h goes to market. He is the least able to pay tax levies. I feel, as I hope the rest of the business community would, that this injustice nee rectification.

The ranching industry is very important to Montana's economy. We can not afford to choke it to death by continually assessing it more a more of the tax burden.

Please pass Senate Bill #47.

Gross Income
(Before
Expenses)

\$ 47,000

15%

25%
OR 61
47,

\$ 40,000.00

COST
600

5.9%

CATTLE BUSINESS
(COW-CALF)

\$ 80,000.00

INV. BAL
BEFORE
SALE

\$ 70,000.00

END of
INV. YR
(COST)

4%

INITIAL INV. VALUE \$ 70,000.00

LESS: DEPRECIATION

REPAIRS & MAINT
EXPENSES

TOTAL SALES
GROSS INCOME

\$ 56,000.00

\$ 44,200.00

\$ 84,112.00

8%

10%

10%

16.1%

\$ 5,000.00

\$ 2,000.00

NAME Elizabeth Dine Bill No. SB. 47
ADDRESS San Antonio, TX DATE 2/12
WHOM DO YOU REPRESENT #
SUPPORT X OPPOSE AMEND

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

The ranchers are willing to carry
our share of the tax burden but
feel strongly that we want to share
the burden as well as the benefits
of government. Please do pass this.
Thank you for your time.

NAME James F. [unclear] Bill No. 1

ADDRESS 1111 [unclear] [unclear] [unclear] DATE 2/1/54

WHOM DO YOU REPRESENT Senators

SUPPORT X OPPOSE AMEND

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

My name is Sherry Filds. My husband, Lee, has a cow-calf operation north, east of Lewistown in Central Montana. I own a commercial cow herd which is financed seperately.

I urge you to pass Senate Bill 47 to alleviate the unfair tax burden carried by the cattlemen of Montana. Not only do we pay a large share of the property tax: because of the inflated value of land, but our cattle are apparently considered a superior type of inventory. They are taxed higher than business inventory despite the fact that, unlike business inventory, we do not sell our product at a profit several times a year.

Our inventory needs a continual input to keep it producing while businessmen have their initial cost, hold their inventory until it is sold, then restock and sell again. With cattle you must add grass, water, salt and bulls. At no time do those cows stop eating. And they only produce once a year.

The businessman pays his taxes on his inventory as it comes to him from the manufacturer, at that cost. The cattleman pays his taxes on an arbitrary formula determined by the Department of Revenue, based on no easily understood, known or basic formula.

One of the arguements recently advanced against SB 47 is that in some counties with large amounts of BLM land those who run on BLM land do not pay as much taxes as those who have deeded land. Opponents of SB 47 therefore maintain that all cattlemen should pay more taxes to make up for those taxes lost on the BLM land.

I do not see why I should have to pay a larger share of taxes than a businessman simply because someone else in my industry does not run on deeded land. It would make as much sense to assess a double tax on inventory

owned by a businessman who rents his building.

Politicians and the press in Montana are fond of emphasizing the importance of agriculture in this state, and to the state. Your support of SB 47 is an opportunity to pay more than lip service to agriculture.

I would like to thank the members of this committee for allowing me this opportunity to speak for myself, my family and my industry.

February 23, 1981

Distinguished Representatives of the Taxation Committee:

I'm grateful for the opportunity to address you. I only feel bad in that there are many livestock operators across the State that you will not hear from because of lack of knowledge of the issue that you are working with or distances and time involved. Some of these operators you will not hear from because of the feelings that no matter what they say and think, the politicians and bureaucrats will call the shots any how.

My name is Gene Chapel. I operate and am trying to pay for a cow-calf operation in the foothills of the Snowy Mountains about 8 miles south of Lewistown.

The Livestock Tax is a very important item in my operation as well as the whole livestock industry. Senate Bill 47 that we are addressing today is a step in the right direction towards alleviating some of our burdens.

We are not so naive that we believe that we shouldn't share in the burden of taxes but we know that we are carrying a very disproportionate share of the tax load. As a taxation committee you should take a good look at the method that our taxes are arrived at.

Legislature gave us some relief in last session and then turned around and came in the back door on how the valuation of our livestock is determined and guess who came out losers? You're right, the cattle operators.

Remember we only get to sell once a year, and that is only our product that we sell. Our inventory is always present and only have the opportunity to turn it once, unlike other businesses that turn their inventory many times throughout the year. I guess what I'm trying to say is that we support Senate Bill 47 but please don't roll the loss of revenue back on the livestock industry in some other manner.

I thank you for allowing me this time and you people by virtue of your office have the power to help us or the power to throw an already distressed industry further backwards.

Respectfully submitted,



Gene Chapel, Vice-President
Rt. 1, Box 1858
Lewistown, Montana 59457

We the undersigned residents and livestock producers of
North Central Montana do hereby ask and encourage the members of
the House Taxation Committee to support the passage of Senate Bill 47.

Arthur J. [unclear] - Chinook

Don Ross - Chinook

James [unclear] - Chinook

George [unclear]
Rich [unclear] - Harlem

Hansen Farming Co. - Harlem

John H. Overcast - Chinook

Amos P. Baker - Chinook

Eugene [unclear] - Chinook

John [unclear] - Harlem

Ken Regal - Turner

John C. Halpern - Chinook

George S. Laker - Havre

Paul [unclear] - Maud

Paul [unclear] - Harlem

Stephen L. Mitchell - Chinook

Levy [unclear] - "

Mike Kerner

Gene Cowell

Harlem Rural S
Harlem

We the undersigned residents and livestock producers of
North Central Montana do hereby ask and encourage the members of
the House Taxation Committee to support the passage of senate Bill 47.

James Chapman
Hugh Hutton
Clifford W. Hutton
J. J. Helmer
J. J. Young
Landon Haugen
Wesley Minkley
Bob Young
Robert S. Saylor
Wm. Dean
Wm. S. Saylor

Chinook
Lull
Turner
Chinook
Gloyd
Chinook
Chinook
Chinook
Chinook

VISITORS' REGISTER

HOUSE

TAXATION

COMMITTEE

BILL

HB 47

Date

23 Feb

SPONSOR

Sevenson

NAME	RESIDENCE	REPRESENTING	SUP POR
CJ Ruffatto	Stevinsville		✓
Jack Mason	Wicwasstad	Pack County Stockgrowers	✓
Edward Hamilton	Beauregard	F. B.	✓
Tony McCallister	Lewistown		✓
Chas. McCallister	"	"	✓
Ed M. Nelson	Lewistown		✓
Alton Brown	Billings	John R. Scott & Sons	✓
Ray Beck	Helena	Nat'l Assoc. Cattle & Horses	✓
Paul H. H. H.	MANHATTAN	APA PCA SPCA & SCALA	✓
LARRY LATTIN	Boulder	Agriculture (Kylerranch)	✓
Edith Anderson	Helena	Montana Taxpayers Assoc.	✓
Genevieve Tolson	Helena	Mont. Cattle & Horse Raisers Assn.	✓
Art Roth	Big Sandy	self	✓
William H. H.	Lewistown	self and family	✓
W. H. H.	Lewistown	self	✓
W. H. H.	Lewistown	self	✓
W. H. H.	Lewistown	self	✓
W. H. H.	Lewistown	self	✓
W. H. H.	Lewistown	self	✓
W. H. H.	Lewistown	self	✓
W. H. H.	Lewistown	self	✓
W. H. H.	Lewistown	self	✓

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR LONGER FORM.

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

VISITORS' REGISTER

HOUSE TAXATION

COMMITTEE

BILL SB 47Date 2/23/81SPONSOR Severson

NAME	RESIDENCE	REPRESENTING
Edgar Lewis	Laurin	
Kenneth Anderson	Melville	
Emile Anderson	Melville	
Wayne Gibson	Bozeman	
Steve Miksanik	Edgar	
James Miksanik	"	
John Lundgren	Joliet	Mt. Carmel
Paul A. Johnson		
John Asky	Dear Lodge	Mt. Cattle feed
Charlie Pearson	Livingston	Highland
Walt Holland	"	1st Bank Livingston
Kear Spradling	"	Park Co. Comm.
Wendy Anderson	Wilcox	Landers Hardware
DEAN RANQASH	LIVINGSTON	CENTRAL MOTOR Supply
Chris Kuehn	Seventon	
Carl Bakker Jr	Stearnsville	
James Baker	Seventon	
Tom Bullath	Stearnsville	
Ken Morrison	Cascade	Foothills Livestock Assoc
Goo & Rath	Rough dub	M S G A

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR LONGER FORM

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

VISITORS' REGISTER

HOUSE TAXATION COMMITTEEDate 23 Feb# 47Severson

NAME	RESIDENCE	REPRESENTING	SUPP
<u>John H. Brown</u>	<u>Chinoak</u>		<u>✓</u>
<u>Mike Stepha</u>	<u>Helena</u>	<u>MT Assoc. JEs</u>	
<u>Ed. Adams</u>	<u>Winters</u>	<u>Fallon, Williams & O'Brien</u>	<u>✓</u>
<u>Bob Gilbert</u>	<u>Helena</u>	<u>MT Wool Growers Assn</u>	<u>✓</u>
<u>Tom Hager</u>	<u>Billings</u>	<u>MT Egg Council</u>	<u>-</u>
<u>Jack Asay</u>	<u>Deer Lodge</u>	<u>MT Pattle Feeders</u>	<u>X</u>
<u>Ed. Brannan</u>	<u>Shelby</u>	<u>NFD + MRA</u>	<u>X</u>
<u>John W. Baus</u>	<u>Billings</u>	<u>John R. Scott & Sons</u>	<u>✓</u>
<u>Wm. Brown</u>	<u>Warden</u>	<u>Ranches</u>	<u>✓</u>
<u>Raymond GERRINGA</u>	<u>Boyd</u>	<u>CARBON COUNTY PATTLE CO</u>	<u>✓</u>
<u>Ed. R. Latta</u>	<u>Billings</u>	<u>Scott Feed Lot</u>	<u>✓</u>
<u>Ran. Goodwin</u>	<u>Livingston</u>		
<u>Charles Johnson</u>	<u>Livingston</u>		<u>✓</u>
<u>Carl Johnson</u>	<u>Livingston</u>	<u>Rancher</u>	<u>✓</u>
<u>Bob Deaoud</u>	<u>Marquette</u>	<u>MT. FARM BUTCHER</u>	<u>-</u>
<u>James Galt</u>	<u>Corvallis</u>	<u>Rancher</u>	<u>✓</u>
<u>John Galt</u>	<u>Corvallis</u>	<u>Rancher</u>	<u>✓</u>

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR LONGER FORM.

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

VISITORS' REGISTER

HOUSE

COMMITTEE

Date _____

SPONSOR

[illegible]

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR LONGER FORM.

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

NAME John Asay Bill No. SB 47
ADDRESS 800 5th St. DATE _____
WHOM DO YOU REPRESENT Montana Cattle Feeders Assn
SUPPORT X OPPOSE _____ AMEND _____

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

WITNESS STATEMENT

NAME Jane Lindgren, Pres. BILL No. 47
ADDRESS Calish, Montana DATE July 23, 19
WHOM DO YOU REPRESENT Montana Cattle Feeders
SUPPORT ✓ OPPOSE _____ AMEND _____

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

-34

NAME Wayne Gibson BILL No. 47
ADDRESS Box 910 Bozeman DATE 2/20/81
WHOM DO YOU REPRESENT First Security Bank of Bozeman
SUPPORT ✓ OPPOSE _____ AMEND _____

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

NAME Dean Rendish BILL No. 47
ADDRESS Box 674 Livingston, Mt. DATE 2-23-8
WHOM DO YOU REPRESENT CENTRAL MOTOR Supply
SUPPORT ✓ OPPOSE _____ AMEND _____

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

WITNESS STATEMENT

Name Anna Scott Date 2/23/81
Address Great Falls Support ? ✓
Representing Montana Farmers Union Oppose ? _____
Which Bill ? SB 47 Amend ? _____

Comments:

Montana Farmers union
strongly supports!

Anna Scott

NAME 3rd Pile Bill No. _____
ADDRESS Grey Cliff DATE 23 Feb
WHOM DO YOU REPRESENT Self
SUPPORT X OPPOSE _____ AMEND _____

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

NAME Oliver French Bill No. SB 47
ADDRESS P.O. Box 613 - Helena DATE _____
WHOM DO YOU REPRESENT Montana Cattleman Ass'n
SUPPORT X OPPOSE _____ AMEND _____

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

attached -

Presented by
Jack Henry

WITNESS STATEMENT

Name Ray Beck Date 2/23/81
 Address 7 Edwards Support ? X
 Representing 1st Assoc / Cons Dist / St Leasing Dist Oppose ?
 Which Bill ? SB 47 Amend ?

Comments:

The Mt Association of Conservation District
 and the Mt Assoc of State Leasing District
 would like to go on record as being in
 support of Senate Bill 47.

Thank-you

Ray Beck

Please leave prepared statement with the committee secretary.

we feel that S.B. 47 however is not the tot
answer it is a definite step in the ri
direction to help assist ^{our} ~~a~~ threatened industry

WITNESS STATEMENT

NAME Mrs. Terger BILL No. 5 47
ADDRESS Helen DATE 2/23/81
WHOM DO YOU REPRESENT Mr. Sheppards aka Mt. Chamber of
SUPPORT X OPPOSE _____ AMEND _____

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

Main Street Business understands the
intent of that SB 47 is trying to correct.
We support the bill.

Montana Cattlemen's Association

As many of you know Senate Bill 47 is one of the most widely supported of all the proposed Senate Bills, with thirty seven co-signers it proves to be both equitable and necessary.

This reduction will also make Montana more competitive in attracting outside herds into the state from Canada and other surrounding states for feeding and slaughter. Again increasing the amount of tax money and increasing job opportunities.

This Legislature is attempting, in other deliberations to create an economic climate in which agriculture may continue and yet enable the young or beginning farmer to compete and survive.

Not only is Senate Bill 47 an equitable request but its consideration and passage will give a beginning rancher a better chance of survival through tax equity rather than increased loan funds and interest burden.

There have been projections that this measure will cause a loss of 7 to 8 million dollars in revenue. However, this is shortsighted in that the reduction will inevitably lead to increased numbers of cattle on farms and ranches and feedlots. The shift in tax burden will fall on both the livestock producer's pasture as well as other agricultural lands. And within a short time should again stabilize at nearly the same levels per individual producer and per cow due to recapture of cattle population.

We urge favorable action and a "do Pass" for this bill and for the cattle industry which provides so much to the economy of Montana.

Paul King
President

P. O. Box 827
Livingston, Montana

21 February 1981

Senator Pat Goodover
Chairman, Taxation Committee
Montana State Senate
Helena, Montana

Dear Sir:

Just want to let you know that I am fully supporting the changes in livestock taxation proposed under Senate Bill No. 47. I hope you will let the House Committee on Taxation know that every rancher I have talked to is in support of the proposed tax reduction, and furthermore, it is desired that the power to levy taxes and set tax values should be removed from the State Department of Revenue. Legislation should delineate the the taxes to be levied and the values to be levied upon.

Yours truly,


ARNOLD INDRELAND

NAME Paul Martin Bill No. SB47
ADDRESS 1111 1st DATE 2/23
WHOM DO YOU REPRESENT National Farmers Organization
SUPPORT X OPPOSE _____ AMEND _____

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

attached

National Farmers Organization

Mr. Chairman, Members of the Committee

As noted Senate Bill 47 is one of the most widely supported pieces of legislation in this session. Thirty seven co-signers are proof that it is an equitable and necessary bill.

Nineteen organizations including the farm groups, the Montana Chamber of Commerce and the Montana Taxpayers Association have urged its passage.

The Livestock producer faces a drop in prices of up to 30% and this in face of a 15% inflation factor which reflects a 45% drop in real income to producer.

There should be no doubt that a cow in a feed lot is business inventory should be no doubt that a cow retained on the ranch to "manufacture" additional inventory is a business expense ^{with an asset} for most of her life.

The reduction from class 7 to class 6 will cause a realignment of tax within a county for a short while but the impact may be less than expected.

The shift from a cow to land is likely to be in the neighborhood of 14¢ acre and this burden will fall upon the livestock producer as well as the producer.

North Dakota, South Dakota, Wyoming and Idaho surround Montana. None of these states have a property tax levied upon cattle.

This fact allows for unfair competition by "outside" packers and feeder "raid" the Montana economy by advertising their area as one in which no tax

In the past 2 to 3 years this has been a major factor in the decline of cattle numbers in Montana both on feed and on the ranch.

The State of Montana has lost the tax revenue on nearly 200,000 head of cattle which are gone from the state in the last several years. This inequitable punitive tax has been a major contributing factor in this loss. Simply stated, "fewer cattle, less tax money."

Perhaps you may think that this bill would also mean "less tax, less money."

but in fact the opposite may be true. By lowering the tax, producers will be inclined to rebuild their herds, even in the face of high interest rates, in to make more economical use of their "in place" facilities, pasture and feed

This in turn will regenerate tax revenue to offset the projected loss wi a short period of time. More cattle, more tax money--but at a lower rate.

Ronald G. Hansen
President, NFO

STANDING COMMITTEE REPORT

March 17, 19

MR. SPEAKER

We, your committee on TAXATION

having had under consideration SENATE Bill No. 41

A BILL FOR AN ACT ENTITLED: "AN ACT TO REMOVE LIVESTOCK, POULTRY, AND THE UNPROCESSED PRODUCTS OF BOTH FROM CLASS SEVEN AND PLACE THEM IN CLASS SIX FOR PURPOSES OF PROPERTY TAXATION; AND PROVIDING AN APPLICABILITY AND IMMEDIATE EFFECTIVE DATE; AMENDING SECTIONS 15-6-136 AND 15-6-137, . MCA."

Respectfully report as follows: That SENATE Bill No. 41

HE CONCURRED IN

UNPASS

HOUSE TAXATION COMMITTEE MEETING MINUTES
March 4, 1981

A meeting of the House Taxation Committee was held on Wednesday, March 4, 1981, at 8:00 a.m. in Room 102 of the State Capitol. All members were present except Rep. Neuman, who was absent. SENATE BILL 30 was heard and EXECUTIVE ACTION was taken on HOUSE BILLS 653, 614 and 548 and SENATE BILL 47.

SENATE BILL 30, sponsored by Sen. Pat Goodover, was heard. A chart showing 1978 Montana income tax return statistics was distributed; see Exhibit "A." This bill repeals the temporary 10% surtax. The State Chamber of Commerce and the Great Falls Chamber of Commerce conducted a survey and the Legislative Campaign Committee did a 1979 survey; in addition, other sources have showed that 80 - 90% of people favor repealing the surtax. Repeal has been in the Republican platform for several years now. The comment that this gives tax relief to the rich and not the poor, according to the information contained in Exhibit "A," is not accurate. He urged favorable consideration of the bill.

Dennis Burr, Montana Taxpayers Association, then rose in support of the bill.

Janelle Fallan, Montana Chamber of Commerce, stated that when their survey was conducted, 91% supported repealing the surtax; she urged support of the bill.

Ellen Feaver, Director of the Department of Revenue, then rose in OPPOSITION to the bill, on behalf of the Governor. They oppose the bill because 1/3 of the relief goes to 10% of the taxpayers. She stated that they supported the Governor's proposal (HB 559).

Questions were then asked. Rep. Nordtvedt said that in 1979, 55,000 returns out of 400,000 showed no taxable income.

Rep. Nordtvedt stated that, regarding the bill giving more of the tax relief to the higher income taxpayers, the higher income levels paid the bulk of the income tax, and asked Ms. Feaver for her response. She submitted that philosophical differences led to two differing views of the situation.

Rep. Burnett asked Ms. Feaver if the schedule rather than the surtax shouldn't be used to make the determination between rich and poor. Ms. Feaver replied that that was another option.

Rep. Asay wanted to know if the purpose of the surtax was the redistribution of wealth. Ms. Feaver submitted that it was put on as a revenue measure.

Sen. Goodover then closed. The bill passed the Senate Taxation Committee with two opposed; therefore, it has widespread support from both parties. He recommended favorable consideration of the bill. The hearing on SB 30 was then closed.

The Committee then went into EXECUTIVE SESSION; some proposed amendments for HB 653 were distributed; see Exhibit "B." The amendments

change the spending mechanism somewhat. The amendment to line 13 of page 3 provides that only General Fund surplus revenues would be turned back to the people. The earmarked accounts can only be spent for the earmarked purposes, so those funds shouldn't be returned. Regarding Amendment No. 4 spending vs. income in the biennium doesn't always agree even though the final balance does. The reserve account monies in excess of the target amounts would go to the tax relief account. Counties would be allocated money to reduce the mandatory mill levy for Teachers' Social Security and Retirement benefits and other benefits for the School District. This mandatory levy amounts to about \$30 million per year in the State.

Discussion then took place on the amendments. Rep. Bertelsen asked who the power would rest with in establishing the target budget. Rep. Nordtvedt replied that it would be the Legislature. These target surpluses are already in the budget, but the appropriations bill would just now mention them. They are adjusted every biennium. Rep. Nordtvedt exemplified what would take place under this bill: if the target surplus for the month of June was \$40 million, but was in reality \$60 million, the total number of students in the State would be taken and divided into the \$20 million and each County would be given money equal to the number of their students times the amount of their mandatory level.

Rep. Sivertsen wondered, regarding amendment No. 6, if there wasn't a better approach because declining enrollment wouldn't be treated equally. On the other hand, a school with increasing enrollment would have an advantage. The mandatory levy for the social security, etc., wouldn't be comensurate with declining enrollment. Therefore, a School District with a declining enrollment would be penalized. Rep. Burnett suggested that a percentile scoring system might accomplish what Rep. Sivertsen wanted. Rep. Nordtvedt said what distribution was based on depended on how the Committee wanted to allocate the surplus around the State. Possibly it could be based on a County's total population. The method of distribution should be roughly proportional to people so that everyone would get a comparable share of tax relief. Rep. Williams wanted to know if this was a different approach to revenue sharing which would come from the surplus. He wondered how the State would know each time what the amount to be shared would be. He added that with indexing and stabilization of interest rates, there won't be a large surplus in the future. Rep. Nordtvedt said that this was a secondary issue to the bill; the real emphasis was the statutory limit on spending.

Rep. Zabrocki spoke up in support of the Parochial schools also getting some of the funding. Rep. Nordtvedt said that if the amendment was changed to "proportional to the population of the County," this could be accomplished. Rep. Nordtvedt explained that the purpose of a spending limitation bill like this is to say that total spending that should be supported from taxes shouldn't grow faster than the income of the citizens. The Office of the Legislative Fiscal Analyst says it is fairly simple to define total State spending as it is

done in this bill, and it adds up to about \$1 billion per biennium not quite twice the General fund spending.

Rep. Underdal wanted to know if the bill put a limitation on appropriations. Rep. Nordtvedt replied that it might, depending on how Montana income levels were doing. If income is stagnant, then State spending would be limited. The average of personal income for the past three years compared to the coming three years is used to figure the limitations, so that there are no abrupt changes.

Rep. Bertelsen said that the chance of the State picking up programs the Federal government had been carrying and dropped would be almost eliminated. Rep. Nordtvedt said, however, that the bill provides that juggling can still be done, but if the State picks up everything the Federal government has dropped, it has eliminated the reason why the Federal government has reduced their spending.

Rep. Nordtvedt rose in support of a percapita distribution. There would be 56 checks sent out to the Counties and the County would reduce the mandatory levies accordingly; he stressed that individual checks wouldn't be sent out. He moved to change the amendments to reflect this. The question was called for on the amendment to the amendments; motion carried unanimously. The question was then called for on the package of all the amendments, see Exhibit "C;" motion carried unanimously. Rep. Nordtvedt then moved that HB 653 DO PASS AS AMENDED. The main purpose of the bill is to give some discipline on State spending policy. In the past there was a 12-year trend of State spending growing at a faster rate than the personal income of the taxpayers. Therefore, the fraction of income going to taxes rose. This bill doesn't freeze the level of State spending in dollars, it limits it to a fraction of Montana personal income. Personal income grows according to (1) population level, (2) because of inflation, and (3) if there is real growth in the economy. The bill is saying that spending can grow for these three reasons. The philosophy in the bill says there should be a limit to the fraction of the taxpayers' output which goes to the State government. He pointed out that the Legislature, by 2/3 majority, can override the limits. He suggested that a statutory limitation might be acceptable to both political parties.

Rep. Oberg said he thought that a 2/3 majority was too severe a number and favored a simple majority. Rep. Nordtvedt pointed out that long range building has to be approved by a 2/3 majority and this is done every session of the Legislature successfully. The 2/3 is saying that spending in excess of the growth of peoples' income is a serious business and if there is something of the magnitude to justify the excess growth of the government, then the cause will probably get a 2/3 support of the Legislature.

Rep. Dozier said he thought that a simple majority should be enough, also.

Rep. Bertelsen said he didn't think that if a simple majority is used anything would be accomplished. He expressed preference for State statutory limits rather than a constitutional limit.

The question was then called for on the motion of DO PASS AS AMENDED: motion carried, with Reps. Dozier, Hart, Oberg, and Harrington oppose. Rep. Harrington said he was in support of the bill, but had voted against it because he was in support of the simple majority provision.

Rep. Nordtvedt then moved that HOUSE BILL 614 DO NOT PASS, stating that the two changes to Initiative 86 which this bill makes would nullify the purpose of the Initiative. To suppress indexing would kill it.

Rep. Harp stated that Initiative 86 has been approved by more than 70% of the voters, and it should be left alone for at least two years.

Rep. Harrington rose in support of using the PCED. Rep. Nordtvedt submitted that he felt no better index could measure Montana's situation than the CPI, but this was not the overwhelming issue that he is concerned with in HB 614.

Rep. Sivertsen submitted that there was a difference in philosophy and he feels that the people who work should be able to account for inflation. The government has gotten out of line because spending has increased more than income. He feels that Initiative 86 should be left alone.

Rep. Oberg spoke up in support of the PCED. The CPI isn't reflective of Montana's situation. On this basis, he stated he would vote in favor of HB 614. Rep. Nordtvedt said the deflator was no more local than the CPI, and if a Montana CPI existed, he submitted that it would be used. Rep. Dozier said that if indexing got to a point where the multiplying factor worked too fast, revenues would be cut and services would have to be cut, and therefore programs would be cut without the vote of the Legislature; therefore, indexing would be reversing itself. Rep. Switzer said that his impression of indexing was that it doesn't do that; it prevents services from increasing but a reversing isn't experienced.

Rep. Underdal said that the question was, do we or don't we need the services that may have to be cut. He said he didn't think the State would be harming anyone by cutting services back. Rep. Nordtvedt said indexing doesn't stop the Legislature's ability to vote new taxes. Rep. Zabrocki brought up the question of what is wanted vs. what is needed.

The question was then called for on the motion of DO NOT PASS; motion carried 11 - 6; see roll call vote.

Rep. Burnett then moved that SENATE BILL 47 DO PASS. Rep. Oberg said that this bill would have a substantial impact on local government

and until he could be sure that it would be made up, he couldn't vote in favor of SB 47. The tax relief will be given to one group of people who probably need it, but the burden will have to be taken up by others unless it is made up by the State. Rep. Dozier expressed agreement with Rep. Oberg.

Rep. Burnett said that this tax is an unfair one because livestock is an inventory; they are not asking to do away with the tax; they are just asking for fair treatment. Rep. Roth pointed out that in 10 other States there is no tax at all.

Rep. Harrington stated that the tax had been cut substantially. He wanted to know the status of the bill to eliminate the inventory tax in the Senate. If it was passed, then livestock would be taken completely off the books.

Rep. Williams said he had trouble agreeing that a cow/calf operation and feeder livestock were in the same category. The former should be kept as a production item, in his opinion.

Rep. Vinger rose in support of the motion. In 1977, the market value concept was also adopted, and this wiped out the tax reduction which took place. Rep. Asay added that the end result was an increase in the tax on cattle. Rep. Roth said that this has been a windfall to the Counties, because of the increase in assessed valuation.

Rep. Switzer said that there was an inventory option on cattle taxes whereby the previous year's prices are used to determine the tax. Very often, the County ends up having to make a refund. Most Counties don't have a contingency fund set up for this, and a hardship is created sometimes. There has been a suggested amendment which will provide a tax credit instead of a refund. (See Exhibit "D.") Rep. Oberg said he didn't think there were very many Counties with surpluses of revenue. When taxes are being cut, he stressed that the Legislature make sure fat was being cut and not essential services.

Rep. Nordtvedt stated that it was almost impossible to make a general statement about the situations of local government. Taxable values per capita vary greatly and also the level of service varies drastically. This bill reduces local government revenues about \$6 million and State revenues about \$1 million, but it is highly localized. The thing that puzzles him about the bill is the lack of testimony from the government officials in the highly affected Counties. Rep. Zabrocki said that this was probably a voluntary tax on the part of the farmer because they say how many cattle they have, and if they are actually counted by the government they would probably be paying the same amount as they are paying now as under the new bill. Rep. Oberg pointed out that the reason there was no opposition from the County officials was because they weren't willing to go against what the majority of the local population wanted. Rep. Dozier pointed out that the tax is an ad valorem tax, and that is why it has gone up.

Rep. Sivertsen said that when one starts talking about equity...

proponents of the bill had convincing testimony, but this bill will mean a tax shift, and he expressed the belief that if the Committee was going to be responsible, they had to address the question of the loss of revenue before the bill was voted on. He pointed out that motor vehicle fee legislation would also reduce local revenues up to 17% Statewide, and maybe more. Also, a repeal or reduction of business inventory tax would mean a reduction in revenue of \$8 - 10 million per year. A reduction in the Livestock tax would mean \$6 million. He asked the Committee if it felt the Counties could get along if the tax was reduced, keeping in mind all other factors. If the answer was no, he wanted to know how the loss would be made up. He submitted that personal property is picking up 23% as compared to 12% of the burden in 1931. Rep. Burnett said he felt the discussion wasn't addressing what the bill addressed - the question of whether cattle were inventory or not. The tax should come from property and this would be equitable.

Rep. Nordtvedt offered a substitute motion that the bill be TABLED, until the Committee could get a better view of the total picture. Rep. Harrington rose in support of the motion. He pointed out that if the inventory tax was repealed, the passage of SB 47 would mean a complete repeal of the livestock tax.

Rep. Roth stated that there should be some equity and at present this tax is too high. The burden of running County government shouldn't be completely dependent on one segment of an industry.

Rep. Switzer pointed out that many of the cattle from eastern Montana have left the State and the eastern part of the State is almost empty of cattle this year. A reduction of 8% tax revenue to 0% because there are no cattle there to be taxed is not desirable, and would be more damaging than a reduction from 8% to 4%.

Rep. Underdal stressed that at present, the situation is not equitable.

Rep. Brand said rangeland taxes should be put on a more equitable basis to make up for the difference if this bill passed.

Rep. Sivertsen said that the Committee needed to remember that agricultural land assessment is based on productivity. If the livestock tax is eliminated or reduced the burden would go to personal property. Statewide, based on taxable valuation, agricultural land carries about 7.5% of the load and in 1931 it used to carry 29.54%. Even as recently as 1973 it was carrying 10.6% of the load. This is what is happening, and if no one has a problem with it, there is no problem. Personal property taxes have been increasing steadily, where agricultural land has been carrying less of the load. He said he didn't agree with the equity question, but feels it is the Taxation Committee's responsibility to address the entire situation.

Rep. Brand asked if the State would ever get to the point where the bigger companies paid their share of the taxes. Rep. Nordtvedt requested that the Committee restrict its discussion to the

tabling the bill and leave the issue of the amendments till later.

Rep. Bertelsen said that what has happened in the inventory tax is the tax is based on the value of the item purchased, but on the cattle tax it is based on the top dollar value and this is an inequity. He said he would support tabling the bill if it would ultimately better its chances of passage. He said he wasn't in favor of leaving the tax question rest on whether or not how automobiles were going to be taxed. He stated that Counties would stay in trouble if they continued to base their valuation on cattle, because it is not a reliable source.

Rep. Dozier said: (1) Regarding showing the shift in taxes from 1931 - 1980, a lot of that has to do with the population shifts. The shift to property taxes should have occurred, because the population shift was to urban centers.

Rep. Bertelsen stressed that an inequitable situation had been created by the increase in valuation. Rep. Sivertsen said the Committee needed to look at the trends and total State valuation. Livestock carries no greater load today than a number of years ago. The problem with the livestock industry also is that the previous year's prices are used to determine the current year's taxes. He reiterated that the Committee needed to look at the overall impact.

Rep. Nordtvedt submitted that whatever is done with vehicles would have its greatest impact on the urban Counties. On the other hand, this bill will have its greatest impact on the rural Counties. The reimbursement scheme can be more equitable if there is a loss in both areas. A reimbursement scheme addressing only one will not be as equitable. In addition, he pointed out that there are no deadlines on this bill. Rep. Harrington wanted to know when revenue sharing was going to be addressed. Rep. Nordtvedt said that the Committee needed to know where it was on vehicles, etc., first.

Rep. Williams asked if it wasn't true that the calf as such was not taxed, but it was the produce from the cow which was taxed. The cow is being taxed on cows that don't have produce, if their calves die or they don't have milk. He said that it was his understanding that calves are marketed before they can be taxed. Rep. Asay said this was true, in some cases, but whoever buys the calves would have to pay the tax. Rep. Williams brought up the situation where the calf was slaughtered before it could be taxed. Rep. Devlin said that the owner couldn't flip-flop from reporting on a yearly basis, back to another method.

Rep. Williams submitted that no tax would have to be paid by the original owner if he used an annual inventory method and the calf is marketed; and the feeder who purchased the calf would have the option of avoiding the tax. Rep. Asay said that very few calves were slaughtered. Therefore, they would be taxed.